

**AUDIT REPORT**

To,

The Members  
UTTARAKHAND JAL VIDYUT NIGAM LIMITED  
Dehradun

We have audited the attached Balance Sheet of Uttarakhand Jal Vidyut Nigam Limited (Formerly known as Uttranchal Jal Vidyut Nigam Ltd.) at 31.03.2006 and also the profit & loss account for the year ended on that date annexed thereto and also the cash flow statement for the year ended on that date. The name of the company has been changed from "Uttarnachal Jal Vidhyut Nigam Ltd." to "Uttarakhand Jal Vidyut Nigam Ltd." w.e.f 2<sup>nd</sup> July 2007, the attached Balance Sheet has been adopted by the Board of Directors under the name and style of Uttarakhand Jal Vidhyut Nigam Ltd." These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our Audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Audited Final Account for the financial year 2004-05 have not been placed in the AGM of the Company.
3. Further to our comments in the annexure referred in paragaraph-1 above we report that: -
  - a. As referred in Note No. B (1) of Schedule XXI annexed to the balance Sheet. The management has stated that in absence of final transfer scheme between UPJVNL and UJVNL provisional opening balances have been incorporated in books of accounts. *The accuracy of these opening balances of Assets & Liabilities could not be verified by us in absence of any agreement between UPJVNL & UJVNL and notification of Final Transfer scheme. The details and breakup of Assets & Liabilities so transferred were not made available to us and the consolidated balances have been incorporated in the*



*financial statements of the Company for the year 2001-02. Consequently the opening balances of the specific Assets & Liabilities vested in the Company are not identifiable or verifiable. 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. In the absence of such details, and in light of above facts we are unable to express our opinion on the correctness of the accounting of the transactions relating to such balances and also to verify and ascertain the true nature and proper disclosure of the balances appearing in the final accounts of the Company. We are also unable to ascertain the correctness or otherwise of the payments made by the Company on account of the liabilities taken over and also the reliability and nature of assets so taken over by the company.*

- b. As referred to Note No. B(8) of Schedule XXI annexed to the Balance Sheet, though vide Central Government Notification No. SO 1228 (E) dated 2-9-2005 the amount of Loan from Life Insurance Corporation of Rs. 352.59 Crores has been transferred to State of Uttarakhand against Hydro Electric Projects transferred to the state. However The company has considered only Rs. 43.78 Crores as liability against above loan. The management has made less provision of Rs. 53.60 Crores towards interest payable to LIC on account of rate difference (14.29 % as per the terms of sanction and 11% taken by the management) and a less provision of Rs. 176.51 Crores on account of interest payable to LIC due to less liability shown in the balance sheet. Except Loan agreement dated 23-09-1998 *the management has not provided the other terms & conditions, details of securities provided, if any, the documents executed and balance confirmation in respect of loan from Life Insurance Corporation of India along with overdue principal, and interest payable there on, to verify the correctness of the liability and obligation of the Company. The balance sheet & profit & loss account in subject to above loan*
- c. Records/ Title deeds in respect of Land & Buildings included in Schedule IV to the Balance Sheet have not been produced before us for our verification.
- The ownership rights and the charges or obligations, if any, against the fixed assets have not been provided for our verification. We are unable to comment upon the impact, if any, on the final accounts of the Company.*
- d. *Provision has not been made for Debtors not confirmed & ageing more than six months amounting to Rs. 1,59,47,71,043/-being the opening balance as on 9-11-2001, Rs. 9,11,46,891/- being outstanding towards consumers and amount towards consumption of electricity in colonies the amount of which is yet to be determined by UPCL as against outstandings of Rs. 11,58,27,249/-. Profit & loss account is subject to such adjustment.*



- e. *The internal control system is not commensurate with the size and nature of business of the company excepts for sales and purchase of goods. The default is persisting in nature & was also reported by various auditors in their reports. Losses incurred by the company, if any, cannot be quantified.*
- f. *The project-wise details of the Capital Work in Progress in case of various units of erstwhile UPSEB, and addition thereafter have not been furnished to us. In the absence of such details, it is not possible for us, to verify the physical existence, progress, expenses incurred and status of such projects.*
- g. *The balances in personal accounts, other receivables, loans and advances including accounts of Government Companies / departments have not been reconciled and confirmed. The differences in balances, if any, and their impact on the financial results and Balance Sheet could not be determined.*

*Detailed party-wise break-up of various head of Loans and Advances have not been provided to us for verification. Further since due to non-availability of above details, we could not ascertain the nature of transactions under various heads. Hence impact, if any, of such unexplained balances on the financial results and Balance Sheet can not be determined.*

- h. *As certified by the management the physical verification of inventory of stocks has been done on 31.03.06 however complete stock verification report were not produced before us for verification. Valuation of stocks has been done at cost as certified by the management in place of cost or market value which ever is lower in term of AS-2 issued by ICAI. Huge inventory of obsolete damaged scrap items were observed for which the management has not made any accounting entries. Stocks records maintained by the company are incomplete. Hence the impact, if any, on account of the above observations on the financial statements could not be determined. Profit & Loss account and value of inventory shown in the final accounts are subject to such adjustment.*
- i. *The balances under the head Current liabilities have not been reconciled and confirmed. The difference in balance and their impact on the financial assets and Balance Sheet could not be ascertained.*

*Detailed party wise breakup of various heads of current liabilities has not been provided to us for verification. Further since due to non-availability of above details, we could not ascertain the nature of transactions under various heads. Hence, impact if any, of such unexplained balances on the financial result and Balance sheet could not be determined.*



- j. *The Company has wrongly credited a sum of Rs 1,79,37,000/- to incidental charges in place of capitalization of the same to the fixed assets acquired out of Grant in Aid. Hence incidental charges & fixed assets are understated by the same amount.*
- k. *The company has not credited a sum of Rs 5,71,64,310/- to profit and loss A/c being interest earned on FDR . The amount is deducted from incidental charges .Hence income & incidental charges are understated by the same amount.*
- l. *An amount of Rs. 3,63,57,640.00 has been debited to employee cost towards Interest paid to GPF Trust. Board approval for incurring such expenses not produced before us for verification.*
- m. *The company has received Rs. 47,22,881/- as revenue grant for RLA Studies. Whereas only a sum of Rs. 19,25,881/- has been expended against such revenue grant and debited to Profit & Loss Accounts and remaining balance of Rs. 27,67,500/- has been capitalized .Hence the income of the company is overstated by balance of Rs. 27,67,500/-.*
- n. *The claim for loss/damage to capital Assets amounting to Rs.77,77,000/- has been credited to Loans and advances. Hence company has understated its Profits and Loans and advances by the same amount.*
4. Further to our comments given above & comments in the annexure referred to above, we report that:
- i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit except for details of FDR along with TDS certificate.
- ii) *In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books except subsidiary record of Sundry debtors, loans and advances, Sundry creditors and other liabilities.*
- iii) The balance sheet, & profit and loss account dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the balance sheet & profit and loss account dealt with by this report Comply with the accounting standards except AS-15,AS-9,AS-3,AS-2 and AS-12 referred to in sub-section (3c) of Section 211 of the Companies Act, 1956.



- v) *Being a government Company pursuant to notification GSR 829 (E) dated 17.07.2003 issued by Government of India, Provisions of Clause (g) of Sub section (1) of Section 274 of Companies Act, 1956 are not applicable to the Company.*
- vi) *Subject to our observations in paras a to o of para 3 and significant Accounting Policies on revenue recognition (Policy No.10) and note No. 1,2(8),4,12,13 of notes on accounts, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:*
- i) In the case of the balance sheet, of the state of affairs of the company as at 31.03.2006.
  - ii) In the case of the profit and loss account, of the profit for the year ended on that date; and
  - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Dehradun  
Date: 06-07-2009



For RAG & ASSOCIATES  
Chartered Accountants

A handwritten signature in black ink, appearing to be "Raghvendera", written in a cursive style.

**RAGHVENDERA**  
Partner  
M. no. 089757

**Annexure referred to in paragraph 1 of our Auditors Report of Uttarakhand Jal Vidyut Nigam Limited for the year ended 31<sup>st</sup> March, 2006.**

1. In respect to Fixed Assets:-

a) As explained to us the Company has maintained records to show full particulars including quantitative details and situation of Fixed assets. Assets transferred from UPJVNL are shown at a value as determined by the management. *The value of such assets are neither in agreement with the fixed assets register of UPJVNL nor is the value taken certified by any approved valuer.*

b) As per the information and explanation given to us, the fixed assets of the company have been physically verified by the management during the financial year 2007-08, *which in our opinion is not reasonable having regard to size of the company and nature of its assets and discrepancies observed were not taken into accounts by the management*

c) In our opinion, the company has not disposed off a substantial part of fixed Assets during the financial year.

2. In respect of inventories:-

a) The complete records in respect of the physical verification of inventory has not been produced before us for verification. In absence of the complete record we are not in a position to comment whether frequency of verification is reasonable or not. Kindly refer paragraph 3 (h) of our main Audit Report.

b) We have been informed that physical verification of stock has been conducted by the management during the financial year 2005-06, but in absence of any supporting documents we are not in a position to comment whether procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. Kindly refer paragraph 3 (h) of our main Audit report.

c) Records of inventories maintained at the units are incomplete. In absence of complete records we are not in a position to comment whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so whether those material discrepancies have been properly dealt with the in the books of account. Kindly refer paragraph 3 (h) of our main Audit report.



3. The Company has not taken granted any loan, secured or unsecured from/ to companies; firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. The Company had neither granted nor taken any loans, secured or unsecured, to/from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956, and therefore paragraph 4 (iii) of the said order is not applicable.
4. *On the basis of our observations, we are of the opinion that, the Company Internal Control Systems is not commensurate with the size of the company and the nature of its business, for the purchase of Inventory and fixed assets. The Default is persistent in nature, it is reported by various Auditors Time & again.*
5. In our opinion and according to the information and explanation given to us, there are no transaction that need to be entered in the register maintained under section 301 of the companies Act, 1956.
6. The Company has not accepted any deposits from the public during the year under Audit with in the meaning Section 58A & 58AA or any other relevant provisions of the companies Act, 1956. No order has been passed by the Company Law Board or National Company Law Tribunal or reserve Bank of India or any court or any other tribunal in this respect.
7. *On the basis of our observation, we are of the opinion that Internal Audit system of the company is not adequate and commensurate with the size and nature of the business of the company. Internal auditors were appointed by the company but the management has not appropriated evaluated the internal auditors report and ensure that the internal Auditor has conducted the audit as per the scope of audit given to them.*  
*Three Audit Committee meeting were held during the year however recommendation Made in the meeting is not followed by the company.*
8. We have broadly reviewed the books of account maintained by the company relating to power generating activities of the company, pursuant to the Rules made by the Central Government for the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act 1956 and we are of the opinion that *Prima Facie* the prescribed accounts and records have been made and maintained. *We have not ,however made a detailed examination of records with a view to determine whether they are true or not.*
9. (a) In our opinion and according to the information and explanation given to us the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax,



Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other Statutory dues applicable to it with the appropriate authorities.

(b) *Some delays have been noted in depositing of some undisputed statutory dues of T.D.S, F.B.T & Advance Tax.*

(c) 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, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other Statutory dues as at 31.03.2006, for a period of more than six months from the date they become payable.

(d) 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(Rs in Lacs)	Period to which it relates	Forum where dispute is pending
Income Tax Act, 1961	Demand for the A.Y 2002-03	Demand raised for Rs 0.87 crores which has been adjusted by I.Tax Department against refund order for the assessment year 2004-05 after giving the effect of CIT(Appeal) order.	A.Y.2002-03	Appeal is pending before Appellate Tribunal
Income Tax Act, 1961	Demand for the A.Y 2003-04	Demand raised for Rs 43.84 crores which has been recovered by the Income Tax Department. Further relief of Rs 17.04 had been allowed by CIT (Appeals)	A.Y 2003-04	Appeal is pending before Appellate Tribunal, New Delhi.

10. In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit the immediately preceding financial year.





11. *In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayments of dues to banks and financial institution except repayment of loan from LIC of India for Rs 43, 78, 04,300 and Interest of Rs.25, 52, 55,451. As explained to us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable.*
12. According to the information and explanations given to us and based on the documents and records produced, the company has not taken or granted any loans or advances on the basis of security by way of pledge of shares, debentures & other securities.
13. The Company is not a chit fund or a niche/mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the companies (Auditor's Report) order 2003 are not applicable to the company.
14. As per information & explanations given to us & on the basis of examination of records, the Company is not dealing or trading in shares, securities, debentures & other investment. Further the Company has not made any investment in shares, securities, debentures and other securities.
15. According to the information & explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. as per written representation received from the Management, in our opinion the term loans availed by the company during the year were prima facie, applied for the purposes for which they were obtained.
17. As per written representation received from the Management, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
18. The Company has not made any preferential allotment of shares to parties & Companies covered in register maintained under section 301 of the Act




19. The company has not issued any debenture during the year.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to 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.

Place: Dehradun  
Date:06.07.2009

For RAG & Associates  
Chartered Accountants



  
RAGHVENDERA  
(Partner)  
M. No. 089757

## COMMENTS OF STATUTORY AUDITORS AND MANAGEMENT REPLIES THERE TO FOR FINANCIAL YEAR 2005-2006



Sl. No.	Statutory Auditors Observation	Management Reply
a.	<p>As referred in Note No. B (1) of Schedule XXI annexed to the balance Sheet. The management has stated that in absence of final transfer scheme between UPJVNL and UJVNL provisional opening balances have been incorporated in books of accounts. The accuracy of these opening balances of assets &amp; liabilities could not be verified by us in absence of any agreement between UPJVNL &amp; UJVNL and notification of Final Transfer scheme. The details and breakup of Assets &amp; liabilities so transferred were not made available to us and the consolidated balances have been incorporated in the financial statements of the Company for the year 2001-02. Consequently the opening balances of the specific Assets &amp; Liabilities visted in the Company are not identifiable or verifiable. 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 31.3.2002. In the absence of such details, and in light of above facts we are unable to express our opinion on the correctness of the accounting of the transactions relating to such balances and also to verify and ascertain the true nature and proper disclosure of the balances appearing in the final accounts of the Company. We are also unable to ascertain the correctness or otherwise of the payments made by the Company or account of the liabilities taken over and also the reliability and nature of assets so taken over by the company.</p>	<p>This issue of Settlement of opening balance of Assets and Liabilities with UP Jai Vidyut Nigam Limited is under process. Nigam has derived its provisional opening balances on the basis of information available with it and as per Central Government Order No. 42/7/2000 - R &amp; R dated 5-11-01 to completes its accounts. On finalization/settlement of the issue any adjustments emerging there from would be accounted for in the year of settlement.</p> <p>Appropriate disclosure in this regards has been made in the Notes on Accounts.</p>
b.	<p>As referred to Note No. B (8) of Schedule XXI annexed to the Balance Sheet, though vide Central Government Notification No. SO 1228 (E) dated 2-9-2005 the amount of Loan from Life Insurance Corporation of Rs. 352.59 Crores has been</p>	<p>Un-secured Loan include Rs. 45.78 crores being 10% of the LIC Loan of Rs. 437.80 crores taken by erstwhile UPSEB and transferred to Uttar Pradesh Jai Vidyut Nigam Ltd. (UPJVNL) by the govt. of Uttar Pradesh vide its notification dated</p>

	<p>25.1.2001. UPJVNL proposed to transfer the said loan to UJVNL which was contested by UJVNL as loan was not project specific hence the liability of UJVNL could at best be limited to 10% as per GOI Order No. 42/7/2000 - R &amp; R dated 5.11.2001</p> <p>Subsequently GOI vide its order No. S.O. 1228 dated 2.9.2005 allocated Rs. 352.59 crores out of the total LIC loan to state of Uttarakhand against stage - II hydro electric project located in Uttarakhand.</p> <p>The transfer of above LIC loan of Rs. 352.59 crores to the state of Uttarakhand is being contested hence the same has not being accounted in the books of accounts.</p> <p>However, an amount of Rs. 308.81 crores (Rs. 352.59 crore i.e. loan amount as per Central Govt. order dated 2.9.2005 - Rs. 43.78 crore loan amount acknowledged in the books) has been classified as contingent liability in Notes on Accounts along with appropriate disclosures.</p> <p>Interest @ 11% has been provided on Rs. 43.78 crores, as stated above, provisionally subject to adjustment on finalization of the issue.</p>
<p><b>c.</b></p> <p>Records/Title deeds in respect of Land &amp; Buildings included in Schedule IV to the Balance Sheet have not been produced before us for our verification</p> <p><i>The ownership rights and the charges or obligations, if any, against the fixed assets have not been provided for our verification. We are unable to comment upon the impact, if any, on the final accounts of the Company</i></p>	<p>Most of the Land has been given on lease by forest department of Uttarakhand to Irrigation Department and the same is under the use of the Nigam. Steps are being taken to transfer the land records in the name of the Nigam. All Buildings constructed &amp; situated at LHP's are part of transfer scheme from UPVNL for which settlement is under process.</p>
<p><b>d.</b></p> <p>Provision has not been made for Debtors not confirmed &amp; ageing more than six months amounting to Rs. 1,59,47,71,043/- being the opening balance as on 9-11-2001, Rs. 9,11,46,891/- being outstanding towards consumers and amount towards</p>	<p>The details of the provisional opening balace as on 9.11.01 have not been made available by UPJVNL in spite of repeated follow up and persuasion. In absence of such details, the opening balance of sundry debtors is being considered good since no</p>

<p>consumption of electricity in colonies the amount of which is yet to be determined by UPCL as against outstandings of Rs. 11,58,27,249/- Profit &amp; loss account is subject to such adjustment.</p>	<p>details to the contrary are available.</p> <p>As and when the details are made available by UPJVNL or on finalization of transfer scheme necessary adjustments emanating there from would be made in subsequent years.</p> <p>Energy bills and remittance there against w.e.f. 9-11-2001 to 30-11-2004 was reconciled with UPCL. On reconciliation it was observed that an amount of Rs. 11,58,27,249/- was deducted by Uttarakhand Power Corporation Limited (UPCL) on account of consumption in colonies for which necessary details were not provided by UPCL. In spite of repeated persuasion, UPCL continue to withhold the desire information.</p> <p>On receipts of information the necessary adjustment will be made in the books in subsequent year.</p>
<p><b>e.</b></p> <p>The internal control system is not commensurate with the size and nature of business of the company except for sales and purchase of goods. The default is persisting in nature &amp; was also reported by various auditors in their reporter Losses incurred by the company cannot be quantified.</p>	<p>Noted for compliance in future. Necessary steps have been initiated to strengthen the internal control systems.</p>
<p><b>f.</b></p> <p>The project-wise details of the Capital Work in Progress in case of various units of erstwhile UPSEB, and addition thereafter have not been furnished to us. In the absence of such details, it is not possible for us, to verify the physical existence, progress, expenses incurred and status of such projects.</p>	<p>The issue of Settlement of opening balances of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under process.</p> <p>The desired details of opening balance in Capital Work in progress amounting to Rs. 352.76 Cr. would be available on settlement of the issue and any adjustment emanating therefrom would be accounted for in the year of settlement.</p> <p>The Compiled statement containing accounting unit wise detail of Capital work in Progress was provided to Statutory Auditors at the time of Audit</p> <p>Noted for future compliance for providing elaborate details of</p>

<p><b>g.</b> The balance in personal accounts, other receivables, loans and advances including accounts of Government Companies/ departments have not been reconciled and confirmed. The differences in balances, if any, and their impact on the financial results and Balance Sheet could not be determined.</p> <p>Detailed party-wise break-up of various head of Loans and Advances have not been provided to us for verification. Further since due to non-availability of above details, we could not ascertain the nature of transactions under various heads. Hence impact, if any, of such unexplained balances on the financial results and Balance Sheet can not be determined.</p>	<p>Capital work in the progress for additions made after 9.11.2001</p> <p>In the absence of finalisation of transfer scheme and lack of details of opening balances the requisite details could not be provided. However, on finalization of the transfer scheme necessary adjustments would be made in the books of account. As regards party wise details of Loans &amp; Advances, steps are being initiated to compile the same at division level.</p>
<p><b>h.</b> As certified by the management the physical verification of inventory of stocks has been done on 31.3.06 however complete stock verification report were not produced before us for verification. Valuation of stocks has been done at cost as certified by the management in place of cost or market value which ever is lower in term of AS-2 issued by ICAI. Huge inventory of obsolete damaged scarp items were observed for which the management has not made any accounting entries. Stocks records maintained by the company are incomplete. Hence the impact, if any, on account of the above observations on the financial statements could not be determined. Profit &amp; Loss account and value of inventory shown in the final accounts are subject to such adjustment.</p>	<p>Available reports of physical valuation reports of stocks of various division were produced for verification at the time of audit. Steps would be initiated to identify obsolete/damaged stock and valuation of the same as per applicable accounting standards.</p>
<p><b>i.</b> The balances under the head Current liabilities have not been reconciled and confirmed. The difference in balance and their impact on the financial assets and Balance Sheet could not be ascertained.</p> <p>Detailed party wise breakup of various heads of current liabilities has not been provided to us for verification. Further since due to non-availability of above details, we could not ascertain the</p>	<p>In the absence of finalisation of transfer scheme and lack of details of opening balances the requisite details could not be provided. However, on finalization of the transfer scheme necessary adjustments would be made in the books of account. As regards party wise details of current liabilities, steps are being initiated to compile the same at division level.</p>



	nature of transactions under various heads. Hence, impact if any, of such unexplained balances on the financial result and balance sheet could not be determined.	
j.	The Company has wrongly credited a sum of Rs. 1,79,37,000/- to incidental charges in place of capitalization of the same to the fixed assets acquired out of Grant in Aid. Hence incidental charges & fixed assets are understated by the same amount.	The grant in aid for Rs. 1.79 crores was received towards Survey and Investigation (PFR) expenses. Expenses on Survey and Investigation against these grants were debited to incidental charges. Since such expenses were funded out of the said grant in aid the said amount was credited to the incidental expenses and corresponding debit was reflected in the balance sheet as utilization of the said grant. It may be observed that no fixed assets were created out of the said fund of grant in aid.
k.	The Company has not credited a sum of Rs. 5,71,64,310/- to profit and loss A/c being interest earned on FDR. The amount is deducted from incidental charges. Hence income & incidental charges are understated by the same amount.	As observed the amount of Rs. 5,71,64,310/- has been reduced from incidental expenditure to be capitalized. Since this was the interest earned on interest bearing borrowed fund treatment in the books of account is in accordance to Accounting Standard - 16. It may kindly be noted that CAG in its final comments on the annual accounts for the f.y. 2005-06 has confirmed the accounting treatment of interest so earned in the books of accounts and has observed the following : "The Statutory Auditors made a qualification vide para 3 K that the interest earned on FDR amounting to Rs. 5.72 crore has not been credited to profit and loss account resulting in understatement of income and also incidental charges by Rs. 5.72 crore. As per AS-16 any income derived from loan funds are to be credited to borrowing cost paid by way of interest and net balance is debited/credited to CWIP and the same cannot be credited to Profit and Loss account. In view of AS-16 the above interest of Rs. 5.72 crore which was earned on account of loan funds has been correctly credited to borrowing cost/ interest during construction period. Hence, Statutory Auditors qualification is unwarranted."



<p>1. amount of Rs. 3,63,57,640.00 has been debited to employee cost towards interest paid to GPF Trust. Board approval for incurring such expenses not produced before us for verification.</p>	<p>Interest paid to GPF trust - UJVNL was reflected under the head Interest and Financial charges in the profit &amp; loss account upto the F. Y. 2004-05. In accordance to the advise of the consultants such interest was added to the employee cost in the F. Y. 2005-06 instead of reflecting it under the head "Interest and Financial Charges."</p> <p>GPF trust is required to pay the mandatory interest to the GPF account holders. The short fall of the Income of the GPF trust to meet out such mandatory interest payment has to be borne by UJVNL. In the absence of any other source of income of the GPF trust and the chances of recovery of such amount by UJVNL from the GPF trust are negligible, hence such amount has been added to the Employee Cost.</p> <p>The short fall of Income of GPF trust to meet out such mandatory interest payment has to be borne by Nilgiri is evidence from minutes or meetings of the second Board of Trustee meeting held on 9<sup>th</sup> August, 2004.</p>
<p>m. The Company has received Rs. 47,22,881/- as revenue grant for RLA Studies. Whereas only a sum of Rs. 19,25,881/- has been expensed against such revenue grant and debited to Profit &amp; Loss Accounts and remaining balance of Rs. 27,67,500/- has been capitalized. Hence the income of the company is overstated by balance of Rs. 27,67,500/-</p>	<p>Noted for necessary adjustments in subsequent years.</p>
<p>n. The Claim for loss/damage to capital Assets amounting to Rs. 77,77,000/- has been credited to Loans and advances. Hence company has understated its Profits and Loans and advances by the same amount.</p>	<p>The claim of Rs. 77,77,000/- has been received from New India Insurance Company against Sobla-I project, party washed out prior to 8-11-2001. such amount recoverable was standing under the head of "Loans &amp; Advances" in the books of accounts prior to 8-11-2001. Thus on receipts of the same, It has been credited to "Loans &amp; Advances"</p>



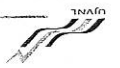
<p><b>4. Further to our comments given above &amp; comments in the annexure referred to above, we report that</b></p>	
<p>i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit except for details of FDR along with TDS certificate.</p>	<p>Noted for compliance in subsequent years.</p>
<p>ii) In our opinion proper books of accounts as required by law have been kept by the company so far as it appears from our examination of the books except subsidiary record of Sundry debtors, loans and advances, Sundry creditors and other liabilities.</p>	<p>Noted for compliance in subsequent years.</p>
<p>iii) The balance sheet, &amp; profit and loss account dealt with by this report are in agreement with the books of account.</p>	<p>No Comments.</p>
<p>iv) In our opinion, the balance sheet &amp; profit and loss account dealt with by this report Comply with the accounting standards except AS-15, AS - 9, AS-3, AS-2 and As-12 referred to in subsection (3 c) of section 211 of the Companies Act, 1956, financial impact.</p>	<p>Noted for compliance in subsequent years.</p>
<p>v) Being a government Company pursuant to notification GSR 829 (E) dated 17.7.2003 issued by Government of India Provisions of Clause (g) of Sub section (1) of Section 274 of Companies Act, 1956 are not applicable to the Company.</p>	<p>No Comments.</p>
<p>vi) Subject to our observations in paras a to n of para 4 &amp; paras a to h of para 5 and significant Accounting Policies on revenue recognition (Policy No. 10), significant accounting policy on immovable assets (Policy No. 2 (i)) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.</p> <p>i) In the case of the balance sheet, of the state of affairs of the company as at 31.3.2006.</p> <p>ii) In the case of the profit and loss account, of the profit for the year ended on that date; and</p> <p>iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date</p>	<p>No Comments.</p>

## Annexure Referred to in Paragraph 1 of our Auditors Report of Uttarakhand Jai Vidyut Nigam Limited for the Year Ended 31st March, 2006

Sl. No.	Statutory Auditors Observation	Management Reply
1.	In respect to Fixed Assets :	
a.	As explained to us the Company has maintained records to show full particulars including quantitative details and situation of Fixed assets. Assets transferred from UPJVNL are shown at a value as determined by the management. <i>The value of such assets are neither in agreement with the fixed assets register of UPJVNL nor is the value taken certified by any approved valuer.</i>	The issue of settlement of opening balances of Assets & Liabilities with UP Jal Vidyut Nigam Limited is under process. Value of fixed assets as on 8.11.2001 has been taken on provisional basis. The issue of settlement of opening balance of Assets and Liabilities with UP Jal Vidyut Nigam Limited is under process. On finalization/settlement of the issue any adjustments emerging therefrom would be accounted for in the year of settlement.
b.	As per the information and explanation given to us, the fixed assets of the company have been physically verified by the management during the financial year 2007-08 which in our opinion is not reasonable having regard to size of the company and nature of its assets and discrepancies observed were not taken into accounts by the management.	Noted for Compliance in subsequent years.
c.	In our opinion, the company has not disposed off a substantial part of fixed assets during the financial year.	No Comments
<b>2.</b>	<b>In respect of inventories :</b>	
a.	The complete records in respect of the physical verification of inventory has not been produced before us for verification. In absence of the complete record we are not in a position to comment whether frequency of verification is reasonable or not. Kindly refer paragraph 3 (h) of our main Audit Report	Available reports of physical valuation reports of stocks of various divisions were produced for verification at the time of audit. Steps would be initiated to identify obsolete/damaged stocks and valuation of the same as per applicable accounting standards.
b.	We have been informed that physical verification of stock has been conducted by the management during the financial year 2005-06, but in absence of any supporting documents we are	Refer Point No. 2 (a) above.

	not in a position to comment whether procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. Kindly refer paragraph 3 (h) of our main Audit report.	
c.	Records of inventories maintained at the units are incomplete. In absence of complete records we are not in a position to comment whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so whether those material discrepancies have been properly dealt with in the books of account. Kindly refer paragraph 3 (h) of our main Audit report.	Refer point No. 2 (a) above.
3.	The company has not taken granted any loan, secured or unsecured from/to companies; firms or other parties listed in the register maintained under Section 301 of the companies Act, 1956. The company had neither granted not taken any loans, secured or unsecured, to/from companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956, and therefore paragraph 4 (iii) of the said order is not applicable.	No Comments
4.	<i>On the basis of our observations, we are of the opinion that, the Company Internal Control Systems is not commensurate with the size of the company and the nature of its business, for the purchase of Inventory and fixed assets. The default is persistent in nature, it is reported by various Auditors Time &amp; again.</i>	Noted for compliance in future. Necessary steps have been initiated to strengthen the internal control systems.
5.	In our opinion and according to the information and explanation given to us, there are no transaction that need to be entered in the register maintained under section 301 of the companies Act, 1956	No Comment
6.	The company has not accepted any deposits from the Public during the year under audit. Within the meaning section 58A & 58 AA or any other relevant provision of the companies Act,	No Comment

<p>1956 No order has been passed by the company Law Board or National Company Law Tribunal or reserve Bank of India or any court or any other tribunal in this respect.</p>	
<p>7. <i>On the basis of our observation we are of the opinion that Internal Audit system of the company is not adequate and commensurate with the size and nature of the business of the company. Internal auditors were appointed by the company but the management has not appropriated evaluated the internal auditors report and ensure that the internal Auditor has conducted the audit as per the scope of audit given to them.</i></p> <p><i>Three Audit Committee meeting were held during the year however recommendations made in the meeting is not followed by the company</i></p>	<p>Noted for compliance in sub sequent years.</p>
<p>8. We have broadly reviewed the books of account maintained by the company relating to power generating activities of the company, pursuant to the Rules made by the Central Government for the maintenance of cost records has been prescribed under Section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that <i>Prima Facie</i> the prescribed accounts and records have been made and maintained. We have not, however made a detailed examination of records with a view to determine whether they are true or not.</p>	<p>No Comments</p>
<p>9. (a) In our opinion and according to the information and explanation given to us the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other Statutory dues applicable to it with the appropriate authorities.</p>	<p>No Comments</p>
<p>(b) Some delays have been noted in depositing of some undisputed statutory dues of T.D.S., F.B.T. &amp; Advance Tax</p>	<p>Noted for future compliance in subsequent years.</p>



<p>(c) According to the information and explanation given to us there are not undisputed Amount payable including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other Statutory dues as at 31.3.2006, for a period of more than six months from the date they become payable.</p>	No Comments															
<p>(d) According to the information and explanation given to us, the following are the particular of disputed dues on account of sales Tax, Income Tax and custom duty that have not been paid deposited.</p> <table border="1" data-bbox="164 405 1193 1211"> <thead> <tr> <th data-bbox="932 405 1034 568">Name of the statute</th> <th data-bbox="932 568 1034 732">Nature of Dues</th> <th data-bbox="932 732 1034 887">Amount of demand net of deposits (Rs. in Lacs)</th> <th data-bbox="932 887 1034 1041">Period to which it relates</th> <th data-bbox="932 1041 1034 1211">Forum where dispute is pending</th> </tr> </thead> <tbody> <tr> <td data-bbox="858 405 932 568">Income Tax Act, 1961</td> <td data-bbox="858 568 932 732">Demand for the A.Y. 2002-03</td> <td data-bbox="858 732 932 887">Demand raised for Rs. 0.87 crores which has been adjusted by I. Tax Department against refund order for the assessment year 2004-05 after giving the effect of CIT (Appeal) order.</td> <td data-bbox="858 887 932 1041">A. Y. 2002-03</td> <td data-bbox="858 1041 932 1211">Appeal is pending before appellate tribunal</td> </tr> <tr> <td data-bbox="544 405 544 568">Income Tax Act, 1961</td> <td data-bbox="544 568 544 732">Demand for the A.Y. 2003-04</td> <td data-bbox="544 732 544 887">Demand raised for Rs. 43.84 crores which has been recovered by I. Tax Department further relief of Rs. 17.04 had been allowed by CIT (Appeals)</td> <td data-bbox="544 887 544 1041">A. Y. 2003-04</td> <td data-bbox="544 1041 544 1211">Appeal is pending before appellate Tribunal, New Delhi</td> </tr> </tbody> </table>	Name of the statute	Nature of Dues	Amount of demand net of deposits (Rs. in Lacs)	Period to which it relates	Forum where dispute is pending	Income Tax Act, 1961	Demand for the A.Y. 2002-03	Demand raised for Rs. 0.87 crores which has been adjusted by I. Tax Department against refund order for the assessment year 2004-05 after giving the effect of CIT (Appeal) order.	A. Y. 2002-03	Appeal is pending before appellate tribunal	Income Tax Act, 1961	Demand for the A.Y. 2003-04	Demand raised for Rs. 43.84 crores which has been recovered by I. Tax Department further relief of Rs. 17.04 had been allowed by CIT (Appeals)	A. Y. 2003-04	Appeal is pending before appellate Tribunal, New Delhi	No Comments
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10.	In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. the company has not incurred cash losses during the financial year covered by our audit the immediately preceding financial year	No Comments
11.	<i>In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayments of dues to banks and financial institution except repayment of loan from LIC of India for Rs. 43, 78, 04, 300 and Interest of Rs. 25,52,55,451. As explained to us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable.</i>	The matter of LIC loan is yet disputed and the liability there of is uncertain.
12.	According to the information and explanations given to us and based on the documents and records produced, the company has not taken or granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities	No Comments
13.	The company is not a chit fund or a niche/mutual benefit fund/ society. Therefore the provisions of clause 4 (xiii) of the companies (Auditor's Report) order 2003 are not applicable to the company.	No Comments
14.	As per information & Explanations given to us & on the basis of examination of records, the company is not dealing or trading in shares securities, debentures & other investment, further the company has not made any investment in shares securities, debentures and other securities.	No Comments
15.	According to the information & Explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.	No Comments
16.	As per written representation received from the Management, in our opinion the term loans availed by the company during the year were prima facie, applied for the purposes for which they were obtained.	No Comments

17.	As per written representation received from the Management, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.	No Comments
18.	The Company has not made any preferential allotment of shares to parties & Companies covered in register maintained under section 301 of the Act.	No Comments
19.	The Company has not issued any debenture during the year.	No Comments
20.	The Company has not raised any money by way of public issue during the year	No Comments
21.	In our opinion and according to 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.	No Comments