

AUDIT REPORT

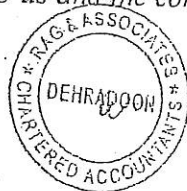
To,

The Members  
UTTARAKHAND JAL VIDYUT NIGAM LIMITED  
Dehradun

We have audited the attached Balance Sheet of Uttarakhand Jal Vidyut Nigam Limited (Formerly known as Uttaranchal Jal Vidyut Nigam Ltd.) at 31.03.2007 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 2005-06 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 is 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. Substantial difference were observed in the opening Balances taken in the books of accounts as compared with audited balance sheet of UPJVNL as on 31.03.2002. The method adopted by the management to derive opening balances is not scientific. 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. 13.15 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. 252.12 Crores on account of interest payable to LIC due to less liability shown in the balance sheet. Except Loan agreement dated 23-03-1998. Further 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 is subject to above Adjustment.
- c. Share deposit Account (shareholder fund) has been overstated by Rs.58.98 crores amount being received from Government of Uttarakhand for preparation of DPR as given in Note No.13 of schedule XXI (B) of balance sheet. consequently deferred capital grant was understated by the similar amount.
- d. Energy sold to UPCL and N.H.P.C during the year 2006-07 from SHP Pithoragarh is short accounted for by Rs 33,61,196/- and Rs 54,60,000/- respectively. Hence the Income of the Nigam is Understated by Rs. 88,21,196/-.



- e. 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.*

- f. *The management has not made provision for centage amounting to Rs 105 Crore payable to Irrigation Department 12.5% on the civil construction of MB-II in line with the GOU order. Hence the CWIP and current Liability were understated by the same amount.*
- g. *Provision has not been made for Debtor not confirmed & ageing more than six month amounting to Rs. 159,47,71,043/- being the opening balances on 9.11.2001, Rs 52,57,879.93 being for the year 2002-03, Rs 13,09,23,767.47 outstanding towards consumers and Rs 1,09,84,563.82/- for HPSEB and Rs 3,36,47,101.08/- amount towards consumption of electricity in colonies-. Profit & loss account is subject to such adjustment..*
- h. *The company has refunded interest subsidy allowed by PFC under AGSP of Government of India, since the MB-II was not commissioned in time. The liability of the company stands at Rs 66, 55, 25,000/- for the period upto 31.03.2007. The company has not taken the same in account. Therefore the capital work in progress and secured loan is understated by the same amount..*
- i. *The treasury management of the company needs to be strengthened; in absence of details furnished to us, we are unable to comment upon the quantum of loss suffered by the company.*
- j. *The internal control system is not commensurate with size and nature of business of the Company except 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 cannot be quantified.*
- k. *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.*

l. *As certified by the management the physical verification of inventory of stocks has been done on 31.03.07 however complete stock verification reports 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 Net realizable 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.*

m. *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.*

n. *The company has received Rs. 47,22,881/- as revenue grant for RLA Studies. Whereas only a sum of Rs 19,25,881/- as has been expended against such revenue grant and debited to profit & Loss account and remaining balance of Rs 27,67,500/- has been capitalized. The fact which we have already brought in the notice of Management in our previous Audit report, however any rectification entry has not been passed by the management for the same. Hence the profit & Loss of the company is overstated by the balance of Rs 27, 67,500/-.*

o. *The company has not complied with the provisions of service tax in case of payment to foreign consultants. Liability if any could not be quantified in absence of information made available to us.*





4. We Further Report that:-

- a) The Balance sheet includes Rs 33,602,899/- being Stock Stores & Spares. No valuation certificate and Physical verification certificate have been received and in absence of such report we are unable to comment upon the correctness of the same.
- b) Provision for depreciation on wireless amounting to Rs 2,03,985/- has not been made resultantly profit of the company has been overstated by the corresponding amount.

5. 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 details of FDR along with TDS certificate, Utilization certificate for the grant received from secretariat for the project, Details Regarding Payment of centage Charges to Irrigation Department, compliances to Comments Made by Various Auditors.
- 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 records of sundry debtors, loans & Advances, sundry creditors and other Liabilities.
- iii) The Balance sheet and profit & 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 & paras a to b of para 4 and significant Accounting Policies on revenue recognition (Policy No.10); and Note No. 1,2(8),4,12, of the notes of 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 31.03.2007.
- 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.

For RAG & ASSOCIATES  
Chartered Accountants

Place: Dehradun  
Date: 29.03.2010



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, 2007.

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. However, SOBLA-I HEP has been flood-washed but same is included in the fixed asset of the company. Suitable adjustment in the books of accounts has not been made.

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 (1) 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 2006-07, 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 (1) 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 (l) 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 transactions 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 failed to evaluate the internal auditors report and ensure that the internal Auditor has conducted the audit as per the scope of audit given to them. Compliance of the observation made by the Internal Auditors has not been carried out by the Internal audit Department.*
- As per the explanation provided to us, One Audit Committee meeting was 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, Custom Duty, Excise Duty, cess and any other Statutory dues applicable to it with the appropriate authorities except wealth tax & service tax. Kindly refer 3(o) of our main Audit report.
- (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, , Custom Duty, Excise Duty, cess and other Statutory dues as at 31.03.2007, for a period of more than six months from the date they become payable except wealth tax & service tax. Kindly refer 3(o) of our main Audit report.
- (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	The revised assessed tax of Rs 84.43 Lacs as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y.2002-03	Appeal is pending before Appellate Tribunal. ITAT has issued order to get approval from committee on disputes.





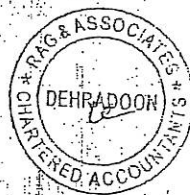
Income Tax Act, 1961	Demand for the A.Y 2003-04	The revised assessed tax of Rs 27.95 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y 2003-04	Appeal is pending before Appellate Tribunal, New Delhi.
Income Tax Act, 1961	Demand for the A.Y 2004-05	The revised assessed tax of Rs 4.42 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y 2004-05	Appeal is pending before Appellate Tribunal.
Income Tax Act, 1961	Demand for the A.Y 2007-08	The demand for tax raised by income tax department for Rs 41.97 crore.	A.Y 2007-08	Appeal is pending before Appellate Tribunal.

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 (Accepted by the management as against Rs.437.80 crore transferred by the UPJVNL and Interest of Rs.33, 14, 92,694 .As explained to us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable. Kindly refer Para 3(b) of our main audit report
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: 29.03.2010



For RAG & Associates  
Chartered Accountants

  
RAGHVENDERA  
(Partner)  
M. No. 089757



सत्यमेव जयते

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

पत्रांक- सीएडब्लू/म.ले/उ.ख./उ.ज.वि.नि.लि/2006-07/266  
दिनांक, 12-10-2010

कृपया

सेवा में,

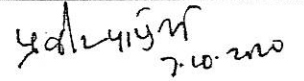
प्रबन्ध निदेशक  
उत्तराखण्ड जल विद्युत निगम लिमिटेड,  
महारानी बाग,  
जी. एम. एस. रोड,  
देहरादून

महोदय,

एतत्सह कम्पनी अधिनियम, 1956 की धारा 619(4) के अधीन उत्तराखण्ड जल विद्युत निगम लिमिटेड के 31 मार्च, 2007 को समाप्त होने वाले वर्ष के लेखों पर, भारत के नियंत्रक महालेखा परीक्षक की टीका-टिप्पणियाँ, उपरोक्त अधिनियम के प्रावधानों के अनुसरण में प्रेषित की जा रही हैं। कृपया कम्पनी की वार्षिक सामान्य बैठक के समक्ष इन टीका टिप्पणियों के प्रस्तुत किए जाने की वास्तविक तिथि की सूचना देने का कष्ट करें।

कृपया पावती भेजें।

भवदीय,



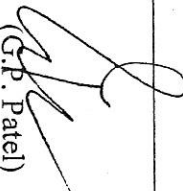
(प्रवीर पाण्डेय)  
महालेखाकार

संलग्नक- यथोपरि।

**COMMENTS OF STATUTORY AUDITORS AND MANAGEMENT RELATES THERETO FOR  
FINANCIAL YEAR 2006-07**

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 vested in the Company is 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. Substantial difference were observed in the opening Balances taken in the books of accounts as compared with audited balance sheet of UPJVNL as on 31.03.2002. The method adopted by the management to derive opening balances is not scientific. 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.</p>	<p>The issue of Settlement of opening balance of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under process. Nigam has derived its provisional opening 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>

  
 (Jayant Kumar)  
 Director (Finance)

  
 (G.P. Patel)  
 Managing Director

<p>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.</p>	
<p><b>b.</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. 13.15 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. 252.12 Crores on account of interest payable to LIC due to less liability shown in the balance sheet. Except Loan agreement dated 23-03-1998. Further the management has not provided the other terms &amp; 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 &amp; profit &amp; loss account is subject to above Adjustment</p>	<p>Un-secured loans Rs. 43.78 crores being 10% of the LIC loan of Rs. 437.80 crores taken by erstwhile UPSEB and transferred to Uttar Pradesh Jal Vidyut Nigam Ltd. (UPJVNL) by the Govt. of Uttar Pradesh vide its notification dated 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 Maneri Bhalli 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</p>



(Jayant Kumar)  
Director (Finance)



(G.P. Patel)  
Managing Director



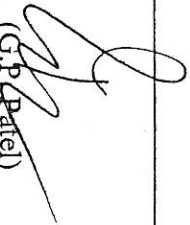
<p><b>c</b> Share deposit Account (shareholder fund) has been overstated by Rs. 58.98 crores amount being received from Government of Uttarakhand for preparation of DPR as given in Note No.13 of schedule XXI (B) of balance sheet consequently deferred capital grant was understated by the similar amount.</p>	<p>Finalization of the issue. Funds of Rs. 58.98 crore were sanctioned by GoU for preparation of DPR. In the sanction letters of GoU the sanction/ release of funds has not been specifically mentioned as "Grant". In the absence of any clarifications, in this regard the such amount received has been booked under the head "Share Deposit Account Pending Allotment". In case any clarification in this regard is received from GoU the necessary adjustments would be incorporated in the books of account, if required, in the relevant financial year.</p>
<p><b>d</b> Energy sold to UPCL and N.H.P.C during the year 2006-07 from SHP Pithoragarh is short accounted for by Rs 33,61,196/- and Rs 54,60,000/- respectively. Hence the Income of the Nigam is Understated by Rs. 88,21,196/-</p>	<p>Bills against Energy Sales to UPCL are raised centrally at HO and not by the respective division. Adjustment entry in this regards have already been incorporated in the Books of Accounts. Regarding Energy sales to NHPC, it is to submit that the matter is still under dispute and pending resolution. Any adjustment emerging there from would be accounted for in the year of settlement.</p>
<p><b>e</b> 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.  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.</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 UPJVNL for which settlement is under process.</p>
<p><b>f</b> The management has not made provision for centage amounting to Rs 105 Crore payable to Irrigation Department 12.5% on the civil construction of MB-II in line with the GOU order. Hence the CWIP and current Liability were understated</p>	<p>The matter of centage charges payable to Irrigation Department on account of MB-II HEP was referred to BoD, UJVNL. After deliberations the BoD agreed that the GoU should be requested to advise the Irrigation</p>

  
 (Jayant Kumar)  
 Director (Finance)

  
 (G.P. Patel)  
 Managing Director

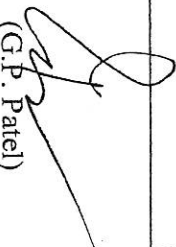
<p>by the same amount.</p>	<p>department to withhold the above referred office order and decision to deduct centage charges till GoU decision is known in the matter.</p> <p>Since the matter pertaining to centage charges is yet to be decided by GoU, hence no provision for the same was made in the Books of Accounts.</p>
<p><b>g</b></p> <p>Provision has not been made for Debtor not confirmed &amp; ageing more than six month amounting to Rs. 159,47,71,043/- being the opening balances on 9.11.2001, Rs. 52,57,879.93 being for the year 2002-03, Rs 13,09,23,767.47 outstanding towards consumers and Rs 1,09,84,563.82/- for HPSEB and Rs 3,36,47,101.08/- amount towards consumption of electricity in colonies-. Profit &amp; loss account is subject to such adjustment</p>	<p>The details of the provisional opening balance adopted as on 9.11.01 have not been made available by UPJYNL 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 details to the contrary are available.</p> <p>As and when the details are made available by UPJYNL 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. 9-11-01 to 30-11-04 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 continues to withhold the desired information.</p>
<p><b>h</b></p> <p>The company has refunded interest subsidy allowed by PFC under AGSP of Government of India, since the MB-II was not commissioned in time. The liability of the company stands at Rs 66,55,25,000/- for the period upto 31.03.2007. The company has not taken the same in account. Therefore the</p>	<p>On receipt of information the necessary adjustment will be made in the books in subsequent year.</p> <p>Same was provided in financial year 2007-08.</p>

  
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 (G.P. Patel)  
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	capital work in progress and secured loan is understated by the same amount	
i	The treasury management of the company needs to be strengthened; in absence of details furnished to us, we are unable to comment upon the quantum of loss suffered by the company	Noted for compliance in future.
j	The internal control system is not commensurate with size and nature of business of the Company except 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 cannot be quantified	Noted for compliance in future. Necessary steps have been initiated to strengthen the internal control system.
k	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	In the absence of finalization of transfer scheme and lack of details of opening balances the requisite details could not be provided. However, on finalization of transfer scheme necessary adjustments would be made in the books of account. As regards party wise details of Loans & Advances, steps are being initiated to compile the same at division level.
l	As certified by the management the physical verification of inventory of stocks has been done on 31.03.07 however complete stock verification reports 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 Net realizable 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	A available reports of physical valuation of stocks of various division 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.

  
 (Jayant Kuntar)  
 Director (Finance)

  
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	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	
m	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	In the absence of finalization 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.
n	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	Same has been Adjusted in the subsequent financial year 2007-08.
o	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 account and remaining balance of Rs 27,67,500/- has been capitalized. The fact which we have already brought in the notice of Management in our previous Audit report ,however any rectification entry has not been passed by the management for the same. Hence the profit & Loss of the company is overstated by the balance of Rs 27, 67,500/-	Noted for compliance in future.
4 a	The company has not complied with the provisions of service tax in case of payment to foreign consultants. Liability if any could not be quantified in absence of information made available to us.	Available reports of physical valuation of stocks of various divisions were produced for verification at the time of audit.
4 a	The Balance sheet includes Rs 33,602,899/- being Stock Stores & Spares. No valuation certificate and Physical Verification certificate have been received and in absence of such report we are unable to comment upon the correctness of the same.	
4 b	Provision for depreciation on wireless amounting to Rs 2,03,985/- has not been made resultantlly profit of the company	As per the provisions of The Electricity Act since accumulated depreciation on wireless sets is 90% of the

  
 (Jayant Kumar)  
 Director (Finance)

  
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	has been overstated by the corresponding amount.		original value no depreciation has been charged. Also as per the applicable provisions no depreciation has been charged on additions during the year.
5. 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 details of FDR along with TDS certificate, Utilization certificate for the grant received from secretariat for the project, Details Regarding Payment of centage Charges to Irrigation Department, compliances to Comments Made by Various Auditors.		Noted for compliance in subsequent years.
5. 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 records of sundry debtors, loans & Advances, sundry creditors and other Liabilities		Noted for compliance in subsequent years. As stated above steps are being initiated to complete party wise subsidiary records.
5. iii	The Balance sheet and profit & Loss account dealt with by this report are in agreement with the books of Account		No Comments
5. 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.		Noted for compliance in subsequent years.
5. 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.		No Comments
5. vi	Subject to our observations in paras a to o of para 3 & paras a to b of para 4 and significant Accounting Policies on revenue recognition (Policy No. 10), and Note No. 1,2(8),4,12, of the		No Comments

  
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 Managing Director



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 31.03.2007.
- 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


  
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Annexure referred to in paragraph 1 of our Auditors Report of Uttara] and Jal Vidyut Nigam Limited for the year ended 31" March, 2007.

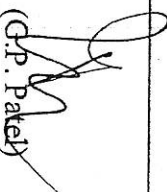
Sl. No	Statutory Auditors Observation	Management Reply
1.	<p>In respect to Fixed Assets:-</p> <p>a) As explained to us the Company has maintained records to show full particulars including quantitative details and situation of Fixed assets. Assets transferred from UPPVNL are shown at a value as determined by the management. The value of such assets are neither in agreement with the fixed assets register of UPPVNL nor is the value taken certified by any approved valuer.</p> <p>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</p>	<p>The issue of settlement of opening balances of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under process.</p> <p>Value of Fixed assets as on 8-11-01 has been taken on provisional basis. The issue of settlement of opening balance of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under process. On finalization/ settlement of the issue any adjustments emerging there from would be accounted for in the year of settlement.</p> <p>Noted for compliance in subsequent years.</p>
	<p>c) In our opinion, the company has not disposed off a substantial part of fixed Assets during the financial year. However, SOBIA-I HEP has been flood-washed but same is included in the fixed asset of the company. Suitable adjustment in the books of accounts has not been made</p>	<p>Sobla-I project was partly damaged before the creation of UJVNL and not in operation since prior 9-11-2001. The Loss due to such damage</p>

  
(Jayant Kumar)  
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		<p>would have been reflected in the Books of erstwhile UPPVNL. The balance amount of Rs. 7,62,74,65/- is the opening balance as on 9-11-2001 and continues to be carried forward. Since the amount pertains to opening balance the same can be settled and booked accordingly on the finalization of the transfer Scheme. However, no depreciation has been charged on the said amount.</p>
<p>2. In respect of inventories:-</p>	<p>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 (1) of our main Audit Report.</p>	<p>Available reports of physical valuation 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.</p>
	<p>b) We have been informed that physical verification of stock has been conducted by the management during the financial year 2006-07, 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 (1) of our main Audit report.</p>	<p>Refer Point No. 2 (a) above.</p>
	<p>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</p>	<p>Refer Point No. 2 (a) above.</p>

  
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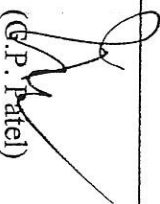
	material discrepancies were noticed on physical verification and if so whether those material discrepancies have been properly dealt with in the books of account. Kindly refer paragraph 3 (1) of our main Audit report	
3.	The Company has not taken granted any loan, secured or unsecured from/ to companies; 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.	No Comments.
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 mere 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.	Noted for compliance in future. Necessary steps have been initiated to strengthen the internal control system.
5.	In our opinion and according to the information and explanation given to us, there are no transactions that need to be entered in the register maintained under section 301 of the companies Act, 1956.	No Comments
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.	No Comments

  
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 (V. P. Patel)  
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7.	<p>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 failed to evaluate the internal auditors report and ensure that the internal Auditor has conducted the audit as per the scope of audit given to them. Compliance of the observation made by the Internal Auditors has not been carried out by the Internal audit Department.</p> <p>As per the explanation provided to us, One Audit Committee meeting was held during the year however recommendation made in the meeting is not followed by the company</p>	Noted for compliance in subsequent years.
8.	<p>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(l) (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.</p>	No Comments
9.	<p>(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, Custom Duty, Excise Duty, cess and any other Statutory dues applicable to it with the appropriate authorities except wealth tax &amp; service tax. Kindly refer 3(o) of our main Audit report</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>(c) According to the information and explanation given to us there are no undisputed Amount payable including Provident Fund, Investor</p>	<p>No Comments</p> <p>Noted for compliance in subsequent years.</p> <p>No Comments</p>

  
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Education and Protection Fund, Employees State Insurance, Income Tax, Sales-tax, , Customs Duty, Excise Duty, cess and other Statutory dues as at 31.03.2007, for a period of more than six months from the date they become payable except wealth tax & service tax. Kindly refer 3(o) of our main Audit report.

(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;

No Comments


Name of the state	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	The revised assessed tax of Rs 84.43 Lacs as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y 2002-03	Appeal is pending before Appellate Tribunal. ITAT has issued order to get approval from committee on disputes.		
Income Tax Act, 1961	Demand for the A.Y. 2003-04	The revised assessed tax of Rs 27.95 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y 2003-04	Appeal is pending before Appellate Tribunal, New Delhi.		

  
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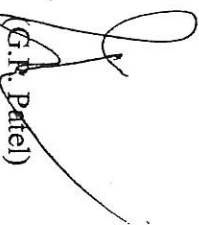
Income Tax Act, 1961	Demand for the A.Y 2004-05	The revised assessed tax of Rs. 4,42 crore as per notice of demand u/s 156 of Income Tax Department after giving effect of order issued by CIT (A)	A.Y 2004-05	Appeal is pending before Appellate Tribunal.			
Income Tax Act, 1961	Demand for the A.Y 2007-08	The demand for tax raised by income tax department for Rs. 41,97 crore.	A.Y 2007-08	Appeal is pending before Appellate Tribunal.			
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	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 (Accepted by the management as against Rs. 437.80 crore transferred by the UPIVNL and Interest of Rs. 33,14,92,694. As explained to us the loan amount is under transfer scheme and in absence of finalization of transfer scheme the amount is not repayable. Kindly refer Para 3(b) of our main audit report						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 & 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						No Comments

  
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 (G.M. Patel)  
 Managing Director

	records, the Company is not dealing or trading in shares, securities, debentures & other investment. Further the Company has not made any investment in sl. 28, 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	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

  
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 (G. R. Patel)  
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