

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF UTTARAKHAND JAL VIDYUT NIGAM LIMITED FOR THE YEAR ENDED 31 MARCH 2007**

The preparation of financial statements of Uttarakhand Jal Vidyut Nigam Limited, for the year ended 31 March 2007 in accordance with financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 29 March 2010.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Uttarakhand Jal Vidyut Nigam Limited, for the year ended 31 March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619 (4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

**Balance Sheet**

**1. (i) Capital work in progress (Sch- V)**

**Rs. 1778.18 crore**

Above include Rs.1.63 crore, being the cost of SHP Sobla-II, which came under the submergence area of NHPC Project prior to 31 March 2007. Non- provision of loss of Rs.1.63 crore on this account has resulted in overstatement of Capital works in progress as well as profit for the year by Rs.1.63 crore.

(ii) The above amount includes mobilization advances of Rs.10.31 crore and Rs.11.61 crore paid for preparation of Detailed Project Reports for Chilla and Bhairaoghati

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projects upto 2006-07. This has been accounted for under CWIP instead of Loans and Advances. This has resulted in overstatement of CWIP and understatement of Loans and Advances (Sch-XI) by Rs.21.92 crore

**2. Current Assets, Loans & Advances**  
**Inter Unit Balances (Schedule VII) Rs. 21.74 crore**

The above represents debit balances, appearing against Inter Unit Accounts, relating to the opening balances prior to 9.11.01 i.e. the date of transfer of hydro power units to UJVNL from Utter Pradesh Jal Vidyut Nigam Ltd.. Details of these Inter Unit Balances are not available with the Nigam. Hence, provision against these balances should have been made in the account which was not done. This has resulted in overstatement of Current Assets, Loans & Advances as well as profit for the year by Rs.21.74 crore.

**3. Sundry Debtors (Schedule IX)**  
**Others (Unsecured considered good) Rs. 28.41 crore**

Above includes Rs.7.59 crore representing the amount of electricity bills raised against U.P. Irrigation Department (consumer) by the Kalagarh Division of UJVNL during the period from 1977 to 31 March 2007. These bills were neither verified nor any payment made by the consumer. As recovery of these bills is remote, a provision of this amount should have been made in the account which was not done. This has resulted in overstatement of Sundry Debtors as well as Profit by Rs.7.59 crore.

**4. Current Liabilities & Provision (Sch-XII) Rs.189.03 crore**

This does not include additional guarantee fee of Rs.28.86 crore payable by the company due to default in payment of guarantee fee. Non-provision of the penal guarantee fee has resulted in understatement of Current Liability and overstatement of profit for the year by Rs.28.86 crore.

**5. Miscellaneous Expenditure – (Schedule XIII)**  
**(to the extent not written off or adjusted) Rs. 2.50 crore**

Above includes Rs. 2.50 crore incurred on survey works for Hydro Electric Project (Rs.1.78 crore till November 2001 and Rs.0.72 crore during October 2001 to 31 March 2007), which should have been written off. Non writing off this revenue expenditure has resulted in overstatement of 'Misc. expenditure to the extent not written off or adjusted' as well as profit for the year by Rs.2.50 crore.

**6. Loans and Advances (Schedule XI)**

**Rs. 94.34 crore**

Above includes Rs.99.87 lakh being the amount of an advance given to Sthapana Khand, Roorkee against supply of material for construction of MB-II Hydro Power Project in 2003. As commercial production of the project has commenced from February 2008, non-capitalization of the amount has resulted in overstatement of loans and advances by Rs. 1.00 crore and understatement of fixed assets by the same amount.

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

**Place: Dehradun**

**Dated** 12/10/2010


ly- 7.10.2010

**Accountant General**

**Comment under Section 619(4) of the Companies Act, 1956 and Management Replies thereto on the accounts of Uttarakhand Jal Vidyut Nigam Ltd for the financial year 2006-07**

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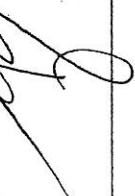
Para No.	Provisional Comments	Management's reply
1(i).	<p><b>Capital work in progress (Sch- V) Rs.1778.18 crore</b></p> <p>Above include of Rs.1.63 crore being the cost of SHP Sobla-II, which came under the submergence area of NHPC Project prior to 31/3/2007. Non-Provision of Loss of Rs. 1.63 Crores on this account has resulted in overstatement of Capital works in progress as well as profit for the year by Rs. 1.63 crore..</p>	<p>In the 39<sup>th</sup> Board Meeting held on 21.7.07, Board approved the following:</p> <ol style="list-style-type: none"> <li>1. Short Closure of the Project</li> <li>2. Lodging of Claim with NHPC for necessary compensation.</li> <li>3. To request to GoU to consider claims against NHPC before allotting Dhauliganga project to NHPC.</li> </ol> <p>In accordance to the above stated directives of the Board, UJVNL is in the process of lodging the claims with NHPC for necessary compensation. The necessary adjustment entry in the books of account would be incorporated after lodging of the requisite claim. Hence the amount is being carried forward in CWIP.</p>
1(ii).	<p><b>Fixed Assets Capital work in progress (CWIP) (Sch- V) Rs.1778.18 crore</b></p> <p>The above amount includes the mobilization advances of Rs.10.31 crore and Rs.11.61 crore paid for preparation of Details Project Reports for Chilla and Bhairaoghati projects up to 2006-07. This has been accounted for under CWIP instead of Loans and Advances. This has resulted in overstatement of CWIP and understatement of Loans and Advances (Sch-XI) by Rs.21.92 crore</p>	<p>The amount paid for preparation of DPR of Chilla and Bhaironghati projects has been paid against bills/ as per terms of agreement executed with Canadian Commercial Corporation and SNCIavalin, hence it is not in the nature of loan and advances and has been correctly booked in CWIP.</p>
2.	<p><b>Current Assets, Loans &amp; Advances Inter Unit Balances (Schedule VII) Rs.21.74 crore</b></p>	

  
 (Jayant Kumar)  
 Director (Finance)

  
 (G.P. Patel)  
 Managing Director

	<p>The above represents debit balances appearing against Inter Unit Accounts relating to the opening balances prior to 9.11.01 i.e. the date of transfer of hydro power units to UJVNL from Uttar Pradesh Jal Vidyut Nigam Limited. Details of these Inter Unit Balances are not available with the Nigam. Hence, provision against these balances should have been made in the accounts which was not done. This has resulted in overstatement of Current Assets, Loans &amp; Advances as well as profit for the year by Rs. 21.74 Crores.</p>	<p>Matter pertains to Opening balances as on 9-11-2001 provisionally acquired from UPJVNL and are subject to finalization of Transfer Scheme. In this regard it is also to inform that appropriate exercise to firm up the opening balances on the basis of information already available with the Nigam has already been initiated. Necessary adjustments are being incorporated in the Books of account in subsequent years.</p> <p>However, the matter pertains to opening balances which are subject to final adjustment on finalization of transfer scheme.</p>
3.	<p><b>Sundry Debtors (Schedule IX)</b> <b>Others (Unsecured considered good) Rs.28.41 crore</b></p> <p>Above includes Rs.7.59 crore representing the amount of electricity bills raised against U.P. Irrigation Department (consumer) by the Kalagath Division of UJVNL during the period from 1977 to 31<sup>st</sup> March,2007. These bills were neither verified nor any payment made by the consumer. As recovery of these bills is remote, a provision of this amount should have been made in the account which was not done. This has resulted in overstatement of Sundry Debtors as well as Profit by Rs.7.59 crore for the year 2006-07.</p>	<p>The electricity bills against U.P. Irrigation Department Kalagath have been raised by erstwhile UPSEB and thereafter UJVNL but no payment of such bills has been made by U.P. Irrigation Department Kalagath so far.</p> <p>The matter is being pursued with UPPID for recovery of payments.</p>
4.	<p><b>Current Liabilities &amp; Provision (Sch-XII)</b> <b>Rs.189.03 crore</b></p> <p>This does not include additional Guarantee fee of Rs. 28.86 crores payable by company due to default in payment of guarantee fee. Non Provision of the penal guarantee fee has resulted in understatement of Current Liability and overstatement of Profit for the year by Rs. 28.86 crores.</p>	<p>Noted for future compliance.</p> <p>In this context, it is to submit that necessary adjustment in the books of accounts will be made in F.Y. 2009-10 as Balance Sheet upto F.Y. 2008-09 has already been finalized and audited by the Statutory Auditors.</p>
5.	<p><b>Miscellaneous Expenditure – (Schedule XIII)</b> <b>Rs.2.50 crore</b> <b>(To the extent not written off or adjusted)</b></p>	

  
(Jayant Kumar)  
Director (Finance)

  
(G.P. Patel)  
Managing Director

<p>The above includes Rs.2.50 crore incurred on survey works for Hydro Electric projects (Rs. 1.78 Crores till November, 2001 and Rs. 0.72 Crores during October 2001 to 31 st March 2007), which should have been written off. Non writing off this revenue expenditure has resulted in overstatement of "Misc. expenditure to the extent not written or Adjusted" as well as profit for the year by Rs.2.50 crore.</p>	<p>Appropriate exercise to identify and classify the expenditure incurred on survey and investigation work, between viable and non viable projects is made. Necessary provisions /adjustments are being subsequently incorporated in the Books of account.</p>
<p>6. <b>Loans and Advances</b> <b>(Schedule XI) Rs. 94.34 crore</b></p> <p>Above includes Rs.99.87 lakh being the amount of an advance given to Sthapana Khand, Roorkee against supply of material for construction of MB-II Hydro Power Project during 2003.As commercial production of the projects has commenced from February,2008, non capitalization of the amount has resulted in overstatement of Loans and advance by Rs. 1.00 crores and understatement of fixed assets by the same amount.</p>	<p>A sum of Rs. 1.00 crore was given to Executive Engineer Sthapana Khand Roorkee of Irrigation Department in the month of 10/03 for supply of material and erection work to be done at Dharsu Power House. Rs.12464-00 was adjusted in the month of 03/2003.</p> <p>Due to non availability of information regarding adjustment, this amount could not be adjusted. Efforts are being made to settle the issue with the Sthapana Khand Roorkee for adjustment of the balance amount.</p> <p>Appropriate entries in the Books of Account would be made on settlement of the issue.</p> <p>Regular pursuance to get the balance amount adjusted is under process.</p>

  
 (Jayant Kamari)  
 Director (Finance)

  
 (G.P. Patel)  
 Managing Director