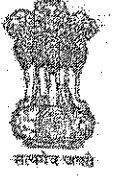




कार्यालय प्रधान महालेखाकार (लेखा परीक्षा), उत्तराखण्ड
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT),
UTTARAKHAND



पत्रांक- प्र.म.ले/उ.ख./आर्थिक/उ.ज.वि.नि.लि/2009-10/27
दिनांक: 24.05.2012

सेवा में,

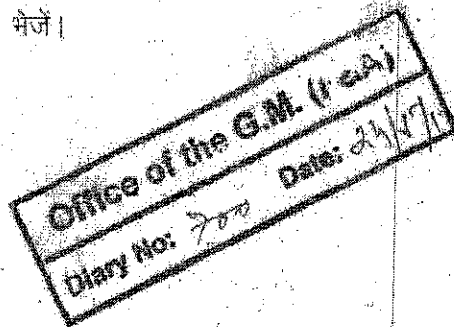
प्रबन्ध निदेशक
उत्तराखण्ड जल विद्युत निगम लिमिटेड,
महारानी बाग,
जी. एम. एस. रोड,
देहरादून

महोदय,

एतत्सह कम्पनी अधिनियम, 1956 की धारा 619(4) के अधीन उत्तराखण्ड जल विद्युत निगम लिमिटेड के 31 मार्च, 2010 को समाप्त होने वाले वर्ष के लेखों पर, भारत के नियंत्रक महालेखा परीक्षक की टीका-टिप्पणियाँ, उपरोक्त अधिनियम के प्रावधानों के अनुसरण में प्रेषित की जा रही हैं। कृपया कम्पनी की वार्षिक सामान्य बैठक के समक्ष इन टीका टिप्पणियों के प्रस्तुत किए जाने की वास्तविक तिथि की सूचना देने का कष्ट करें।

कृपया पावती भेजें।

संलग्नक- यथोपरि।



भवदीय,

(अश्विनी अत्रि)
प्रधान महालेखाकार

Dr. V. (CA) / SAC (CA)
for →
24/5/12

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**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 2010**

The preparation of financial statements of Uttarakhand Jal Vidyut Nigam Limited, for the year ended 31 March 2010 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 01 November 2011.

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 2010. 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

Sources of Funds

1. **Loan Funds- Unsecured Loans- (Schedule-III):-**
From Life Insurance Corporation- ₹ 43.78 crore

This represents the Nigam's share (10 percent) of LIC loan transferred by erstwhile UPSEB on which the interest at the rate of 11 per cent has been provided by the Nigam in its accounts. As the Nigam has defaulted in

repayment of principal and interest on the loan amount, it has become liable to pay penal interest at the rate of 1 per cent which works out to ₹ 3.68 crore from November 2001 to March 2010. However the Nigam has not provided for the penal interest which has resulted in understatement of unsecured loans-interest payable to LIC and overstatement of profit by ₹ 3.68 crores respectively.

Application of funds

- 2. Capital Work in progress (Schedule V)**
Land and Land Rights ₹ 3.60 crore

This represents the cost of land acquired upto March 2009 by the Company pending transfer of title in the name of the company. As the land is immovable and permanent assets, it should not be shown in capital work in progress, rather it should have been booked as land in the schedule of fixed assets. This has resulted in understatement of fixed assets and overstatement of capital works in progress by ₹ 3.60 crores.

The fact that land is not in the name of the Company should have been disclosed in the notes on accounts.

- 3. Capital Works in Progress (Schedule V)** ₹ 338.26 crore.

This includes ₹ 1.63 crore being the cost of SHP Sobla II which came under the submergence area of NHPC project prior to 31st March 2007 and was decided for short closure in July 2007. Non provision of loss of ₹ 1.63 crore on this account has resulted in overstatement of capital work in progress as well as profit for the year by ₹ 1.63 crore.

- 4. Current Assets, Loan & Advances**
Stock, Stores & Spares (Schedule VII) ₹ 27.91 crore

This includes an amount of ₹ 48.87 lakh being the value of scrap material (Stock, Stores & Spares) which was shown at its procurement cost. The provision for loss on account of the scrap should have been made in the accounts which was not done. This has resulted in overstatement of Stock, Stores & Spares as well as profit to the extent of non provision.

5. Sundry Debtor (Schedule VIII)
More than six months old
Others (Unsecured considered good)
Sundry Debtors

₹ 145.74 crore

This includes ₹ 9.83 crore representing the electricity charges billed against U.P. Irrigation Department (consumer) by the Kalagarh Division of the Company during the period from 2001 to March 2010. As the chances of recovery of these bills are remote, provisions of this amount should have been made in the accounts. This has resulted in overstatement of sundry debtors as well as profit by ₹ 9.83 crore.

6. General

Reference is invited to para 4 (iv) of the Auditor's Report in which it has been stated that the Company has not complied with Accounting Standard-15 'Retirement Benefits' issued by ICAI.

- (a) However, in contradiction to the above comment it is reported that the Company has taken a Group Gratuity Scheme from Life Insurance Corporation of India and is creating provision for Gratuity in compliance with the Accounting Standard 15. Thus the remarks of Statutory Auditor is incorrect to that extent.
- (b) The Company is providing medical benefits to its retired employees on cash basis, without any contribution from them. As the liability accrues during the service of the employees, the provision in accordance with Accounting Standard-15 should have been created in the accounts. The fact regarding non-provision of liability should have been disclosed in the Notes to accounts.

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



(ASHWINI ATTRI)
Principal Accountant General

Place: Dehradun
Dated: 28-05-2012

COMMENTS UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 AND MANAGEMENT REPLIES THERETO ON THE ACCOUNTS OF
UTTARAKHAND JAL VIDYUT NIGAM LIMITED FOR THE FINANCIAL YEAR 2009-10.

PARA NO.	AG COMMENTS	MANAGEMENT REPLIES
1.	<p>Unsecured Loans-(Schedule-III):- From Life Insurance Corporation-Rs. 43.78 crore</p> <p>This represents the Nigam's Share (10 percent) of LIC loan transferred by erstwhile UPSEB on which the interest at the rate of 11 per cent has been provided by the Nigam in its accounts. As the Nigam has defaulted in repayment of principal and interest on the loan amount, it has become liable to pay penal interest at the rate of 1 percent which works out to Rs.3.68 crores from November 2001 to March 2010; However the Nigam has not provided for the penal interest which has resulted in understatement of unsecured loans-interest payable to LIC and overstatement of profit by Rs. 3.68 Crores respectively.</p>	<p>Govt. of India vide Notification No. SO 12281 dated 02-09-2005 had allocated part liability amounting to Rs. 352.59 crore of Loan from LIC taken by erstwhile UPSEB to the state of Uttarakhand against Hydro Electric Projects transferred to the State.</p> <p>The above stated allocation of loan is being contested by GoU. However, in accordance to Govt of India's Notification dated 5-11-2001 part liability of such loan was provisionally considered in the books of accounts as on 9-11-2001. The detailed disclosure of which has been made in para 7 on Note of Accounts (Schedule-XX) annexed to and forming part of the balance sheet for the financial year 2009-10.</p> <p>Since the amount has been considered on provisional basis and allocation of liability to the state of Uttarakhand is being contested by GoU the amount has been provisionally reflected under "Unsecured Loan" pending settlement of the Dispute in this regard. Since the amount of Rs. 43.78 crore of LIC loan has been provisionally considered in the Books of Account interest also has been provided there against at provisional rate of 11% per annum.</p> <p>Since the allocation of loan is under dispute and the amount of loan has been considered provisionally no provision of penal interest on the same has been made.</p> <p>Adequate disclosure in this regard has been made in Para no 7 & 8 of the Note on Accounts (Schedule XX) annexed to and forming part of the Balance Sheet for the financial year 2009-10.</p>

2	<p>Capital Work in Progress (Schedule V) Land and Land Rights Rs. 3.60 crore</p> <p>This represents the cost of land acquired upto March 2009 by the Company pending transfer of title in the name of the company. As the land is immovable and permanent assets, it should not be shown in capital work in progress, rather it should have been booked as land in the schedule of fixed assets. This has resulted in understatement of fixed assets and overstatement of capital works in progress by Rs. 3.60 crores.</p> <p>The facts that land is not in the name of the company should have been disclosed in the notes on accounts.</p>	<p>In this regard, it is to submit that the amount of Rs. 3.60 crore reflected in Capital Works in progress mainly pertains to the amount paid to authorities/ parties for the acquisitions of land for Paia Maneri Project but transfer of title of land in the name of UJVNL is still pending. On transfer of land in the name of UJVNL the such amount will be transferred to fixed assets. Thus same has not been capitalized and held under CWIP.</p> <p>Noted for future compliance.</p>
3.	<p>Capital works in progress (Schedule V) RS. 338.26 crore.</p> <p>This includes Rs. 1.63 crore being the cost of SHP Sobla II which came under the submergence area of NHPC project prior to 31st March 2007 and was decided for short closure in July 2007. Non provision of loss of Rs. 1.63 crore on this account has resulted in overstatement of capital work in progress as well as profit for the year by Rs. 1.63 crore</p>	<p>In the 39th Board Meeting held on 21.7.07, with regard to Sobla-II SHP the Board approved the following:</p> <ol style="list-style-type: none"> 1 Short Closure of the Project 2 Lodging of Claim with NHPC for necessary compensation. <ul style="list-style-type: none"> • To request GoU to consider claims against NHPC before allotting Dhaultiganga project to NHPC. <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>

4.	<p>Current Assets, Loan & Advances Stock, Stores & Spares (Schedule VII) Rs. 27.91 crores</p> <p>This includes an amount of Rs. 48.87 lakh being the value of scrap material (Stock, Stores & Spares) which was shown at its procurement cost. The provision for loss on account of the scrap should have been made in the accounts which was not done. This has resulted in overstatement of Stock, Stores & Spares as well as profit to the extent of non-provision.</p>	<p>The amount of Rs.48.87 Lakh under stock has been separately classified as scrap for identification purposes. The necessary adjustments in the stock shall be made at the time disposal of such stock.</p>
5.	<p>Sundry Debtor (Schedule VIII) More than six months old Others (Unsecured considered good) Sundry Debtors Rs. 145.74 crores</p> <p>This included Rs. 9.83 crore representing the electricity charges billed against U.P. Irrigation Department (consumer) by the Kalagarh Division of the Company during the period from 2001 to March 2010. As the chances of recovery of these bills are remote, provisions of this amount should have been made in the accounts. This has resulted in overstatement of sundry debtors as well as profit by Rs. 9.83 crore.</p>	<p>The electricity bills against UP Irrigation Department Kalagarh were raised by erstwhile UPSEB and thereafter UJVNL but no payment of such bill has been made by U.P. Irrigation Department Kalagarh so far. It is also worthwhile to mention that the bills are also being raised by U.P. Irrigation Department every year as per the agreement between erstwhile UPSEB and UPID towards distribution of expenditure on account of Ranganga Project. Such bills were neither paid by erstwhile UPSEB nor by UJVNL. Thus the bills have been raised from both sides i.e. erstwhile UPSEB/UJVNL and U.P. Irrigation Kalagarh but no payment has been made against such bills.</p> <p>Since the matter is yet un-resolved the amount of electricity charges billed are being classified and carried forward as "Sundry Debtors considered good".</p>

6

General

Reference is invited to para 4 (iv) of the Auditors Report in which it has been stated that the Company has not complied with Accounting Standard 15 'Retirement Benefits' issued by ICAI

- (a) However, in contradiction to the above comment it is reported that the Company has taken a Group Gratuity Scheme from Life Insurance Corporation of India and is creating provision for Gratuity in compliance with the Accounting Standard 15. Thus the remarks of Statutory Auditor is incorrect to that extent.
- (b) The Company is providing medical benefits to its retired employees on cash basis, without any contribution from them. As the liability accrues during the service of the employees, the provision in accordance with the Accounting Standard -15 should have been created in the accounts. The fact regarding non-provision of liability should have been disclosed in the Notes to accounts.

No Comments

The amount of medical reimbursements is of uncertain nature unlike gratuity and thus the same is considered to be accounted for on cash basis.