

No. 1002 / 15/4/2013



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/2011-12/81  
दिनांक: 05.04.2013

सेवा मे,

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, 2012 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।

भवदीया,

संलग्नक- यथोपरि।

DEA  
Co-Sec.

Sl. No. 2162 MD/UTEL/AG-11  
Dated: 8/4/13

M. B. Singh  
(महुआ पाल)  
प्रधान महालेखाकार

Sl. No. 549 /DH. (F)/.....  
Dated: 12.4.13

8.4.13

SA/CC/AS  
15/4

DEA  
10/4/13

**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 2012**

The preparation of financial statements of Uttarakhand Jal Vidyut Nigam Limited, for the year ended 31 March 2012 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 17 December 2012.

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 2012. 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**

**Equity and Liabilities**

**Non-Current Liabilities**

**1. Other Long term Liabilities (Note No.7) - ₹ 370.60 crore**

**Interest accrued not due on borrowings - ₹ 92.67 crore**

The above includes ₹ 43.78 crore being the Company's share (10 percent ) of LIC loan transferred by erstwhile Uttar Pradesh State Electricity Board

(UPSEB) on which the interest at the rate of 11 per cent has been provided by the Company in its Accounts. As the Company has defaulted in repayment of principal and interest on the loan amount, it has become liable to pay penal interest at the rate of one per cent which works out to ₹ 4.56 crore from November 2001 to March 2012. This has resulted in an understatement of other long term Liabilities and overstatement of profit by ₹ 4.56 crore. Despite the same being commented in the Accounts for the year 2010-11, no corrective action has been taken by the Company.

#### **Current Liabilities**

#### **2. Short-term provisions-(Note No. 10)- ₹ 59.36 crore**

##### **(a) Provision-Others-₹ 38.33 crore**

This includes ₹ 0.11 crore being the amount of the liability for supply of Material made before 2001-02. Instead of booking the same under the short term provisions head, it should have been booked under the head long term provisions. This has resulted into overstatement of short term provisions and understatement of long term provisions by ₹ 0.11 crore.

#### **Assets**

#### **Non-current assets**

#### **3. Capital work in progress (Note 12 &13):- ₹ 349.04 crore**

This includes ₹ 1.63 crore being the cost of SHP Sobla II which came under the submergence area of NHPC project prior to 31 March 2007. As the Board approved the short closure of the project in July 2007, necessary provision should have been made in the accounts. 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. Though this was commented on the Accounts for the year 2010-11, no action has been taken by the Company to rectify the same.

#### **4. Long-term loans and advances (Note No-14) - ₹ 281.48 Crore**

This includes ₹ 80.94 crore being the amount shown as Others-advances recoverable from private parties. These dues are neither acknowledged by private parties nor has any correspondence been made by the Company for its realization till date. As a period of more than 12 years has elapsed, the chances

of recovery are remote and as such the provision should have been made in the accounts. Non- provisioning of the same has resulted in an overstatement of Long term loans and advances as well as profit by ₹ 80.94 crore.

**Current Assets**

**5. Inventories – (Note No.16)- ₹ 42.07 crore**

This includes an amount of ₹ 0.88 crore being the procurement cost of scrap material (Stock, Stores & Spares) which was shown at its procurement cost instead of its realisable cost. The loss on account of less realisable value of the scrap should have not been assessed and provided for in the accounts. This has resulted in an overstatement of Inventories as well as profit to the extent of ₹ 0.88 crore.

**6. Trade Receivables-(Note No. 17)- ₹ 579.60 crore**

**(b) Outstanding for a period exceeding six month (from the date they become due for payment)**

**Unsecured considered good- ₹ 479.44 crore**

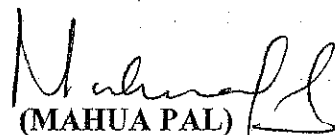
This includes ₹ 10.37 crore representing the electricity charges billed against U.P. Irrigation Department (consumer) by the Kalagarh division of the Company during the period from 2001 to March 2012. As the chances of recovery of these bills are remote, provisions of this amount should have been made in the accounts. This has resulted in overstatement of Trade Receivables as well as profit by ₹ 10.37 crore.

Though this was commented on the Accounts for the year 2010-11, no corrective action has been taken by the Company.

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

**Place: Dehradun**

**Dated: 5/4/13**

  
**(MAHUA PAL)**  
**Principal Accountant General**

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 2011-12.

PARA NO.	AG COMMENTS	MANAGEMENT REPLIES
1.	<p>Equity and Liabilities Non-Current Liabilities</p> <p>1. Other Long term liabilities (Note No. 7) – ₹ 370.60 Crore</p> <p>Interest accrued not due on borrowings – ₹ 92.67 crore</p> <p>The above includes ₹ 43.78 crore being the Company's share (10 percent) of LIC loan transferred by erstwhile Uttar Pradesh State Electricity Board (UPSEB) on which the interest at the rate of 11 per cent has been provided by the Company in its Accounts. As the Company has defaulted in repayment of principal and interest on the loan amount, it has become liable to pay penal interest at the rate of one per cent which works out to ₹ 4.56 crore from November 2001 to March 2012. This has resulted in an understatement of other long term Liabilities and overstatement of profit by ₹ 4.56 crore. Despite the same being commented in the Accounts for the year 2010-11, no corrective action has been taken by the Company.</p>	<p>Govt. of India vide Notification No. SO 12281 dated 02-09-2005 had allocated part liability amounting to ₹ 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 GoJ. 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 Note No-5 and Para No- 7 &amp; 8 of Explanatory Statement to Accounts (Note No.-27) and that formed part of the balance sheet for the financial year 2011-12.</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 ₹ 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</p>

		<p>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 &amp; 8 of the Explanatory Statement (Note No-27) and that formed part of the Balance Sheet for the financial year 2011-12.</p>
<p>2.</p> <p><b>Current Liabilities</b></p> <p>2. Short-term provisions – (Note No. 10)- ₹ 59.36 crore (a) Provision-Others- ₹ 38.33 crore</p> <p>This includes ₹ 0.11 crore being the amount of the liability for supply of Material made before 2001-02. Instead of booking the same under the short term provisions head, it should have been booked under the head long term provisions. This has resulted into overstatement of short term provisions and understatement of long term provisions by ₹ 0.11 crore.</p>		<p>Noted for compliance</p>
<p>3.</p> <p><b>Non-Current Assets</b></p> <p>3. Capital work in progress (Note 12 &amp; 13): - ₹ 349.04 crore</p> <p>This includes ₹ 1.63 crore being the cost of SHP Sobla II which came under the submergence area of NHPC project prior to 31<sup>st</sup> March 2007. As the Board approved the short closure of the project in July 2007, necessary provision should have been made in the accounts. 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. Though this was commented on the Accounts for the year 2010-11, no action has been taken by the Company to rectify the same.</p>	<p>In the 39<sup>th</sup> 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"> <li>1. Short Closure of the Project</li> <li>2. Lodging of Claim with NHPC for necessary compensation. <ul style="list-style-type: none"> <li>• To request GoU to consider claims against NHPC before allotting Dhauliganga project to NHPC.</li> </ul> </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</p>	

		<p>Account would be incorporated after lodging of the requisite claim. Hence, the amount is being carried forward in CWIP.</p>
<p>4.</p>	<p><b>Long-term loans and advances (Note No. 14) – ₹ 281.48 Crore</b></p> <p>This includes ₹ 80.94 crore being the amount shown as Others-advances recoverable from private parties. These dues are neither acknowledged by private parties nor has any correspondence been made by the Company for its realization till date. As a period of more than 12 years has elapsed, the chances of recovery are remote and as such the provision should have been made in the accounts. Non-provisioning of the same has resulted in an overstatement of Long term loans and advances as well as profit by ₹ 80.94 crore.</p>	<p>Long Term Loans and Advances amounting to ₹ 80.94 crores represent amount recoverable on account of capital work incurred on Sri Nagar &amp; Vishnu Prayag Project up to 8-11-2001. Since the matter pertains to opening balances which are subject to final adjustment on finalisation of Transfer Scheme. The issue of Settlement of opening balance of Assets &amp; Liabilities with UP Jal Vidyut Nigam Limited is under process.</p> <p>On Finalization/ settlement of the issue, any adjustments emerging there from would be accounted for in the year of settlement.</p>
<p>5.</p>	<p><b>Current Assets</b></p> <p><b>5. Inventories – (Note No. 16)- ₹ 42.07 crore</b></p> <p>This included an amount of ₹ 0.88 crore being the procurement cost of scrap material (Stock, Stores &amp; Spares) which was shown at its procurement cost instead of its realizable cost. The loss on account of less realizable value of the scrap should have not been assessed and provided for in the accounts. This has resulted in an overstatement of Inventories as well as profit to the extent of ₹ 0.88 crore.</p>	<p>The amount of ₹ 0.88 Crore 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>

6.

**Trade Receivables – (Note No. 17)- ₹ 579.60 crore**

**(b) Outstanding for a period exceeding six month (from the date they become due for payment)**

**Unsecured considered good- ₹ 479.44 crore**

This includes ₹ 10.37 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 2012. 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 Trade Receivables as well as profit by ₹ 10.37 crore.

Though this was commented on the Accounts for the year 2010-11, no corrective action has been taken by the Company.

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 Ramganga 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.

Since the matter is yet un-resolved the amount of electricity charges billed are being classified and carried forward as "Sundry Debtors considered good".