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**Statutory  
Audit Report  
Financial  
Year  
2017 - 2018**

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**CHHATTISGARH  
STATE POWER  
DISTRIBUTION  
COMPANY  
LIMITED**

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**Pandey & Co.  
Chartered Accountants**



## **INDEPENDENT AUDITORS' REPORT**

**TO**

**The Members of Chhattisgarh State Power Distribution Company Limited**

### **Report on the Ind AS Financial Statements**

We have audited the accompanying Ind AS financial statements of **CHHATTISGARH STATE POWER DISTRIBUTION COMPANY LIMITED [CSPDCL]** ('the Company'), which comprise the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as 'Ind AS Financial Statements').

### **Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these Ind AS financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.

This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the



auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate, except as stated in the Basis for Qualified Opinion paragraph, to provide a basis for our audit opinion on the Ind AS financial statements.

### **Basis for Qualified Opinion**

Major comments and observations, based on our audit, which in our opinion are significant and required provisions in the financial statements in certain cases mentioned herein. The net aggregate impact of non-provision on the loss for the year and /or on the assets/ liabilities and also there are cases as stated in Para below wherein the quantum of impact though material is unascertainable due to lack of sufficient and appropriate audit evidence. The distinguished reasons have been mentioned in our note below:

#### **(a) Impairment of Assets**

- The Company has stated in Para of 'Significant Accounting Policies' that the impairment loss is charged to Statement of Profit and loss in the year in which an asset is identified as impaired as per Ind As 36. The company has formed a committee to assess the impairment loss incurred if any, the committee is in the process of collecting information from the various field offices, for which various asset wise formats have been circulated to the field office for providing information. However in the absence of techno economic assessment, we are unable to comment on the effect of the same on the Financial Statements of the Company.
- The CWIP of Rs. 27,60,21,89,925/- as at 31st March, 2018 include additions in CWIP which may not been capitalized and need to be impaired. Management should recognize those additions and account for the impairment loss, if any. However, we are unable to obtain sufficient and appropriate information regarding the same to determine impairment loss as required by Ind AS 36.

#### **(b) Cash System of Accounting For Surcharge**

Company has adopted Cash System of accounting for delay payment surcharge from Indian Railways during the financial year 2017-18, which in our opinion is not in accordance with the accrual concept; the same should be recognized to curb the uncertainty.



**(c) Bank Reconciliation**

Bank balances as per Financial Statement of the Company as at 31.03.2018 are reconciled with balances at banks except for the following Regional Accounting Offices (RAOs);

- AMBIKAPUR RAO,
- JANJGIR-CHAMPA RAO,

The company is in the process of reconciling bank balances in books of accounts with that in the banks.

**(d) Identification of Micro, Small and Medium Enterprises as defined under MSMED Act, 2006.**

The company has system for identification of enterprises qualifying under the definition of Micro, Small and Medium Enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED). However, the same is not been able to be implemented successfully; hence this leads to non-identification of vendor enterprises into Micro or Small or Medium Enterprises.

**(e) Deemed Deposits under Companies Act, 2013**

As per the information provided to us, the company has not maintained age wise details (ageing schedule) of Sundry Creditors, Sundry Debtors and advances, thus we are unable to comment on Deemed Deposits as per Sec 73 to 76 of Companies Act, 2013.

**(f) Internal Audit**

As per section 138 of companies Act 2013 read with Rule 13 (1) (a) of Companies (Accounts) Rules, 2014 every prescribed company shall be required to appoint an Internal auditor. Though the company has appointed an Internal Auditor but the Internal Audit Report for the Financial Year 2016-17 is yet to be submitted.

**(g) Investment**

As mentioned in note no. 6 to the Financial Statements, the investment of Rs. 60,00,000/- held by the company are still in the name of Chhattisgarh State Electricity Board (CSEB).

**(h) Government Grant and consumer contribution for PPE**



As per Ind AS 20 Government Grant and consumer contribution are not amortized on deferred basis in line with related asset for which grant/ contribution was received.

**(i) Issued and paid up capital**

The Company has not mentioned in note no. 14 to the Financial Statements, the issued and subscribed capital of the company has changed as the result of notification of Government of Chhattisgarh no. 1816/F-21/13/13-2/2014 dated 17.07.2017. The revised issued and subscribed capital is Rs.1780.96 crore resulting in a difference in the opening share capital of Rs 41.27 crore. The adjustment entry of the same is passed by the company but the statutory compliance as required by MCA or Registrar has not been complied.

**(j) Cash Flow Statement**

Cash Flow Statement is not in line with the corresponding Ind AS 7 requirements. TDS, TCS is not separately recorded in preparation of Cash Flow Statement. Further, it was observed that the cash flow statement prepared does not contain the statement of change in liabilities arising out of financial activities, including both changes arising from cash flows and non-cash changes as per required by Ind AS 7.

As per Para 44A of Ind AS 7, an entity shall provide disclosures that enable users of financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Further To the extent necessary to satisfy the requirement in paragraph 44A, an entity shall disclose the following changes in liabilities arising from financing activities:

- (a) Changes from financing cash flows;
- (b) Changes arising from obtaining or losing control of subsidiaries or other businesses;
- (c) The effect of changes in foreign exchange rates;
- (d) Changes in fair values; and
- (e) Other changes.

**(k) Assets held for sale**

Company has not classified the non-current assets (or disposal group) as Held for Sale as required by Ind AS 105 “Non-current Assets Held for Sale and Discontinued Operations”. There are non-current assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use, which qualify to be disclosed as assets held for sale.



(m) **Depreciation short claimed due to delayed capitalization of Capital work in progress**

During the scrutiny of fixed asset Register, it was observed that the capitalization of Capital work in progress was done only in month end dates. Further, major capitalization was done in the last day of the financial year. On enquiry, it was brought to our notice that delay is due to non- submission of estimates by divisions and assets are commissioned well before their capitalization in the books of accounts. This amounts to under booking of depreciation & loss to the company. As per FAR, assets of Rs. 407.18 crores were capitalized on 31st March, 2019 but the depreciation charged is Rs.5,10,703. Considering an average deferment of 60 days, company has claimed short depreciation of Rs.3.48 Crores.

(n) **Failure to file financial statements with Registrar of Companies**

Company has failed to file annual returns for the FY 2016-17 and FY 2017-18 till now .

(o) **Revenue Leakage in Power Purchase**

- As per CSERC order dated 13 July,2018, the fixed charges for plants achieving COD before 1st April, 2014 is required to be determined on the basis of month in which COD is achieved. The company has in all cases reported the COD on financial Year basis taking the last reported fixed charge for that year, this has resulted in loss to the company.

For instance in case of Vendor No. 301214, M/s Neeraj Power Private Limited , the COD has been taken as FY 2006-07 without specifying the exact date of COD.

(p) **TDS booking**

The company has in case of vendor payment deducted TDS on actual payment basis. However, as per the Income Tax Act, payer is bound to deduct TDS on payment or credit whichever is earlier. Hence, the company in this manner deferred TDS liability. Due to lack of sufficient and appropriate audit evidence, the amount of deferment cannot be quantified.

**Pertaining to previous year (2016-17) & not yet rectified**

- (r) Cash & Cash Equivalents (Note 13) includes Rs.18.27 lacs pertaining to cash receivable from employees of the company for misappropriation/embezzlement of cheques collected from the consumers against monthly electricity bills.
- (s) Cash & Cash Equivalents (Note 13) includes Rs. 40.62 being the amount of cheques recorded on the receipt side of the company's cash book towards payment of energy bills by consumers but these cheques were not credited to company's



bank accounts for period exceeding three months to four years and not written back as trade receivables.

### **Qualified Opinion**

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the comment under **Basis for Qualified Opinion above**, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31 March, 2018, and its profit or loss (financial performance including other comprehensive income), and its cash flows and the changes in equity for the year ended on that date.

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2018;
- (b) In the case of the Statement of Profit and Loss (including Other Comprehensive Income), of the loss for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Other Matters**

- (a) Every public company which has paid up capital of 100 crore or more or turnover of 300 crore or more need to comply with the requirement of having at least of one woman director under section 149(1) of companies Act 2013. The Company does not have any woman director confirming the requirements under section 149(1) of Companies Act, 2013.
- (b) Section 204 (1) of Companies Act 2013 read with Rule 9 of Companies Rules, 2014 mandates Secretarial Audit for every Listed Company. Although the company has appointed Secretarial auditor for Secretarial audit but the Secretarial audit report has not been submitted.
- (c) Every public company which has paid up capital of 100 crore or more or deposits or borrowings exceeding 50 crore need to comply with the requirement of having Nomination and Remuneration committee under section 178 (1) of companies Act 2013. The Company does not have any Nomination and Remuneration committee.
- (d) As per Sec 177 (1) of Companies Act, 2013 read with Rule 6 and 7 of Companies (Meeting and Power of Board) Rules, 2014 deals with Audit Committee, as the Company do not have Independent Directors on its Board of Directors as required by Sec 177 of the Companies Act, 2013 consequent to which the Company could not



comply with the statutory requirement in this regard.

Our opinion is not qualified in respect of paragraph (a) to (d) under **other matters**.

### **Report on Other Legal and Regulatory Requirement**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section(11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. We are enclosing our report in terms of Section 143 (5) of the Act, on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, in the "Annexure 1" on the directions and sub-directions issued by Comptroller and Auditor General of India.
3. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, except for the effects/possible effects of the matters described in the basis for Qualified Opinion paragraph in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid Ind AS financial statement does not comply with the Indian Accounting Standards specified under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.
  - (e) On the basis of the written representations received from the directors as on 31 March, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2018, from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
  - (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and explanation given to us:



- (i) The Company has disclosed the impact of pending litigations as at 31 March, 2018 on its financial position in its financial statements.
- (ii) The Company has made provisions as at 31 March, 2018, as required under the applicable law or Indian accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts.
- (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March, 2018.

**For Pandey And Company**  
**Chartered Accountants**  
**Firm Regn. No. 000357C**

**Amit Pandey**  
**Partner**  
**M. No. 402377**

**Place: Raipur**  
**Date: 15/10/2019**



Annexure A to the Auditors' Report

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The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 March 2018, we report that:

(i) In respect of its fixed assets:

- a) The Company has maintained records of fixed assets. However *voucher no. supplier Name, quantitative and situation wise details are not maintained in the fixed asset register.*
- b) The management has explained that physical verification of fixed assets is a perpetual process undertaken at divisional and sub-divisional level. *As the relevant records for the physical verification were not produced before us for our review, we are not in a position to comment thereon.*
- c) The company possesses land received from MPSEB wherein records were not handed over, for re-organization of erstwhile MPSEB due to non traceability; *hence we are not in a position to comment thereon.*

(ii) In respect of its inventories:

- a) As per information and explanation given to us, physical verification of inventory is a perpetual process undertaken at stores.
- b) *The relevant records for the physical verification were not produced before us for our review, hence we are not in a position to comment thereon.*
- c) As per information and explanation given to us, the company is maintaining proper records of inventory and discrepancies, if any, found during the course of physical verification has been properly dealt with by the management.

(iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has not given any loan, guarantee, and security and has not made any investment referred under section 185 and 186 of the Companies Act, 2013. Accordingly, paragraph 3 (iv) of the Order is not applicable.

(v) In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from Directors, Promoters their relatives and Inter Corporate deposits which are covered under Section 73 to 76 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014.

(vi) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of



India, the maintenance of cost records has been specified under sub-section (1) of section 148 of the Act, and are of the opinion that the cost audit records and report thereon have not been provided before us.

(vii) In respect of statutory dues:

a) According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty Excise Duty, Cess, and other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31 March, 2017 for a period of more than six months from the date of becoming payable.

b) Dues of CSPDCL for Custom Duty, Wealth Tax, Service Tax and Cess, which have not being deposited on account of dispute are as under:

i. In respect of Income Tax Act, 1961

Sr. No.	Assessment Year	Gross Tax Liability demanded (₹ in Crore)	Unpaid Tax Liability (₹ in Crore)	Authority before which case is pending
1	2003-04	277.38	144.81	Pending before Hon'ble High Court of Chhattisgarh & Income Tax Appellate Tribunal (ITAT), Mumbai.
2	2006-07	373.36	246.60	Income Tax Appellate Tribunal (ITAT), Mumbai has passed order in favor of CSEB. However, jurisdictional Assessing Officer has wrongly interpreted the above factual and legal position and also the orders of CIT (Appeal) and ITAT, and has assessed the income at ₹ 840.75 Crore & served a demand notice of ₹ 269.60 Crore in the matter. The appeal filed against above demand notice before CIT (Appeal) has been dismissed. CSPHCL has filed an appeal and stay application before the ITAT, Mumbai within the time as stipulated under the provisions of Income tax Act which is pending.



3	2008-09	92.19	-	The matter is pending before CIT (A) / ITAT.
4	2009-10	266.49	-	

- a. The Jurisdictional Assistant Commissioner of Income Tax has raised a tax demand of Rs. 113.06 crore vide order dated. 30/12/2011 passed for Assessment Year 2009-10. The company has sought partial relief against said demand from Commissioner of Income Tax (Appeal) and now the outstanding demand including interest is Rs. 36.20 crore. The company aggrieved from the order of CIT (A) has preferred an appeal to Income Tax Appellate Tribunal, who has granted stay against recovery of said demand. The matter is pending before ITAT, Mumbai Bench.
- b. The company through the online system of Income Tax Department has retrieved that an amount of Rs. 4.71 Crore is outstanding against TDS liability (Short Deduction/ Short Payment) and corresponding interest of Rs. 2.47 Crore against delay in short deduction/ short payment and the late filing fees including interest amounting to 0.78 Crore The company is in process of obtaining necessary information of such distinguished cases from its decentralized office and Income Tax Department and liability will be provided only after due appraisal on cases to case basis.

ii. In respect of Value Added Tax

Sr. No.	Financial Year	Gross Tax Liability disputed (₹ in lacs)	Remark
1	2010-11	63.79	The Commercial tax department is of the view that liability of VAT exists against Meter Rent considering it as "Transfer of Right to use any Goods". The department has adjusted entry tax refund of ₹ 2.77 lacs against the said outstanding demand. Further, the company has deposited ₹ 3.61 lacs before filing appeal before the first appellate authority i.e. Additional Commissioner (Appeal). The first appellate authority has decided the case against the company and now the company is in process of filing appeal before second appellate authority i.e. Vanijya Kar Tribunal.
2	2011-12	76.49	The Commercial tax department is of the view that liability of VAT exists against Meter Rent considering it as "Transfer of Right to use any Goods". Further, the company has deposited ₹ 1.03 lacs before filing appeal before the first appellate authority i.e. Additional Commissioner (Appeal). The



Sr. No.	Financial Year	Gross Tax Liability disputed (₹ in lacs)	Remark
			first appellate authority has decided the case against the company and now the company is in process of filing appeal before second appellate authority i.e. Vanijya Kar Tribunal.
3	2012-13	86.65	The Commercial tax department is of the view that liability of VAT exists against Meter Rent considering it as “Transfer of Right to use any Goods”. Further, company has deposited Rs.12.99 lacs on 08-08-2017 & filed an appeal before first appellate authority i.e. Dy Commissioner (Appeal).

(viii) According to the information and explanations given to us, the company has not defaulted in repayment of loans or borrowings to a financial institution, bank, Government or dues to debenture holders.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments). According to the information and explanations given to us, the moneys raised by way of term loans were applied for the purposes for which those are raised.

(x) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, such frauds has been noticed or reported.

However, it was mentioned in C&AG report that an embezzlement of funds amounting Rs.18.27 lacs was noticed by CAG during Audit for the period 2016-17. The details of Regional Accounts Office involved and the nature of embezzlement was not reported in the report.

The company has filed various cases in High Court of Bilaspur against Pankaj Kumar Kela & Ano. regarding payment to contractor has been made with forged Signature of Executive Engineers of various Division of CSPDCL. The following cases are pending before the court for disposal.

Case No.	Financial Involvement	Brief Description of the case
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WP (Cr) No. 38/2016	Rs. 149.79 Lakh	The Subject Writ petition has been filed by the company alleging that the payment made to contractor has been done with forged signature of EE Jagdalpur, EE Bijapur, & EE Kondagaon Dn of CSPDCL. Further, the company alleged that the Special investigation Team (SIT) has not conducted a proper investigation and therefore filed the petition
WP (Cr) No. 289/2016	Rs. 38.67 Lakh	The Subject Writ petition has been filed by the company alleging that the payment made to contractor has been done with forged signature of EE Bilaspur Dn of CSPDCL. Further, the company alleged that the Special investigation Team (SIT) has not conducted a proper investigation and therefore filed the petition
WP (Cr) No. 22/2016	Rs. 4.08 Lakh	The Subject Writ petition has been filed by the company alleging that the payment made to contractor has been done with forged signature of EE Korba Dn of CSPDCL. Further, the company alleged that the Special investigation Team (SIT) has not conducted a proper investigation and therefore filed the petition
WP (Cr) No. 23/2016	Rs. 107.91 Lakh	The Subject Writ petition has been filed by the company alleging that the payment made to contractor has been done with forged signature of EE Champa Dn of CSPDCL. Further, the company alleged that the Special investigation Team (SIT) has not conducted a proper investigation and therefore filed the petition
WP (Cr) No. 154/2016	Rs. 66.19 Lakh	The Subject Writ petition has been filed by the company alleging that the payment made to contractor has been done with forged signature of EE Jashpur Dn of CSPDCL. Further, the company alleged that the Special investigation Team (SIT) has not conducted a proper investigation and therefore filed the petition

(xi) The Company is a State Government Company and accordingly the provisions of section 197 read with Schedule V to the Companies Act, 2013 are not applicable. Hence, paragraph 3 (xi) of the Order is not applicable.

(xii) The Company is not a Nidhi Company. Accordingly, paragraph 3 (xii) of the Order is not applicable.

(xiii) According to the information and explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the financial statements as required by the applicable Indian accounting standards.

(xiv) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.



(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.

(xvi) According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, provision of clause 3(xvi) of the Order is not applicable to the Company.

**For Pandey And Company**  
**Chartered Accountants**  
**Firm Regn. No. 000357C**

**Amit Pandey**  
**Partner**  
**M. No. 402377**

**Place: Raipur**  
**Date: 15/10/2019**



Annexure B to the Auditors' Report

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**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of CHHATTISGARH STATE POWER DISTRIBUTION COMPANY LIMITED (“the Company”) as of 31 March 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, except as stated below, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

*Accounting under proper heads of Account was not correctly done at initial stages in SAP software. This has resulted in difference between the opening balances as per SAP software and opening balances as per financial statements. Further as per information and*



# Pandey & Co.

Chartered Accountants

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*explanation provided, the differences that arose at the first time adoption of Accounting Software "SAP" has been reconciled by passing the adjustment entries in accounting software. The current year closing figures as reported in the Balance Sheet are derived from the Trial Balance of SAP after passing such adjustment entries.*

*Internal financial control for the conversion of capital work in progress into fixed assets has not been correctly reflected in the Accounting software, this has resulted in difference in the capitalization figures as disclosed in the financial statements and figures as shown in the Books of accounts maintained in the Accounting software. Further the capitalization of capital work in progress in mostly done in the last day of financial year resulting in depreciation being under booked.*

*Bank Reconciliation at Regional Account Offices (RAOs) as mentioned in 'Basis for Qualified Opinion' has not been done resulting in differences with Bank balance as per Bank.*

**For Pandey And Company**  
**Chartered Accountants**  
**Firm Regn. No. 000357C**

**Amit Pandey**  
**Partner**  
**M. No. 402377**

**Place: Raipur**  
**Date: 15/10/2019**



Annexure 1 to the Auditors' Report

Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date to the members of CSPDCL on the Ind AS Financial Statements for the year ended 31 March 2018

**Directions under section 143(5) of the Companies Act 2013 for the year 2017-18**

Sl.No.	Directions	Remarks/Comment
1	Whether the company has clear title/lease deeds for freehold and leasehold land respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	Company is a state government undertaking engaged in supply & distribution of power across the state of Chhattisgarh. The company has various infrastructures in form of sub stations, stores, office buildings etc spread across the state. These infrastructures are built on land mostly allotted by Government of Chhattisgarh at nominal value. However, the company possesses land received from MPSEB wherein records were not handed over during re-organization of erstwhile MPEB due to non traceability.
2	Whether there are any cases of waiver/ write off of debts/loans/interest etc., if yes, the reasons there for and the amount involved.	Based on representation received from management, there are no cases regarding waiver/ write off of debts/ loans/ interest etc during the year under audit.
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	No inventories are lying with the third parties. Further, based on our audit and as per explanation and information given by the management no assets has been received by the company as gift from Government or other authorities during the period under audit.

**Sector specific sub- directions under Section 143(5) of the Companies Act 2013 for the year 2017-18**

**Power Sector**

Sl.No.	Directions	Remarks/Comment
1	Adequacy of steps to prevent encroachment of idle land owned by company may be examined. In case of land of the company is encroached, under litigation, not put to use or declared surplus, details may be provided	As informed to us, there is no encroachment anywhere in land. Further various 33/11 Sub-station were protected by fencing chain link fencing & boundary wall . During the period under audit, management has identified and protected following divisions namely:-  Ambikapur Dn. :- Baikunthpur, Farshabahar, Pratappur, Bishunpur, Bhattikala, Sitapur, Chainpur, Chirmiri(Korea),Pathalgaon, Rajpur, Mainpath, Balrampur-(Balrampur), Lundra-(Ambikapur).  Bilaspur Dn. :- Nehru nagar(Bilaspur) , Torwa (City Dn.), Raigarh Dn.-1, Korba (Industrial area)



		<p>Jagdalpur Dn.- Geedam, Chitalanka, Kondagaon(33/11KV S/s), Kondagaon (Colony premises), Narayanpur, Kanker.</p> <p>Raipur Dn.- B/W HUDCO (Bhilai), PandukGariyaband (Area Fencing).</p> <p>Rajnandgaon Dn.- Joratal (Kawardha), Khairagarh.</p>
2	Where land acquisition is involved in setting up new projects, report whether settlement of dues done expeditiously and in a transparent manner in all cases. The cases of deviation may please be detailed.	Subject to our comment against point no.1 of Directions u/s 143(5), the company has not acquired any land during the period under audit.
3	Whether the company has an effective system of recovery of revenue as per contractual terms and the revenue is properly accounted for in the books of accounts in compliance with applicable accounting standards.	The company has two categories of consumers in retail sector namely low tension consumers and high tension consumers. There is a fixed billing cycle and credit period for both the categories. Surcharge is charged in the next succeeding month where in the consumer has defaulted in payment of bill for any particular month which is accounted for on cash basis in case of high tension consumers. Since the company is operating in an ERP environment, the billing system is fully computerized. Further, in accordance with CSERC MYT Regulations 2012, the commission has allowed a provision for writing off of bad and doubtful debts to distribution licensee. A normative provision of 1% of yearly revenue from the retail supply business has been allowed as bad and doubtful debts subject to actual writing off of bad and doubtful debts in the previous year.

### Distribution

Sl.No.	Directions	Remarks/Comment
1	Report on the efficiency of the system of billing and collection of revenue in the company.	The company has two categories of consumers in retail sector namely low tension consumers and high tension consumers. There is a fixed billing cycle and credit period for both the categories. Surcharge is charged in the next succeeding month where in the consumer has defaulted in payment of bill for any particular month which is accounted for on cash basis in case of Railway (Disputed) high tension consumers. Since the company is operating in an ERP environment, the billing system is fully computerized. Further, in accordance with CSERC MYT Regulations 2012, the commission has allowed a provision for writing off of bad and doubtful debts to distribution licensee. A normative provision of 1% of yearly revenue from the retail supply business has been allowed as bad and doubtful debts subject to actual writing off of bad and doubtful debts in the previous year.
2	Whether the company recovers and accounts, the state regulatory commission(SERC)	Based on our verification, the company regularly recovers and account for fuel and power purchase adjustment cost based on directives of CSERC.



	approved fuel and power purchase adjustment cost (FPPCA)?	
3	Whether the reconciliation of receivables and payables between the generation, distribution and transmission companies have been completed. The reason of difference may be examined.	Company has reconciled receivables/ payables with Chhattisgarh State Power Generation company and Chhattisgarh State Power Transmission Company upto 31 <sup>st</sup> March, 2018, however, there are few cases which are pending for resolution between the subsidiary companies.
4	Whether the company is supplying power to franchisee, if so, whether the company is not supplying power to franchisee at below its average cost of purchase.	The company has not supplied power to franchisee during the period under audit.

**For Pandey And Company**  
**Chartered Accountants**  
**Firm Regn. No. 000357C**

**Amit Pandey**  
**Partner**  
**M. No. 402377**

**Place: Raipur**  
**Date: 15/10/2019**



## Compliance Certificate

We have conducted the audit of accounts of Chhattisgarh State Power Distribution Company Limited for the year ended 2017-18 in accordance with the direction/sub-directions issued by Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013 and certify that we have complied withal the directions/sub-directions issued to us.

For Pandey And Company  
Chartered Accountants  
Firm Regn. No. 000357C

Amit Pandey  
Partner  
M. No. 402377

Place: Raipur  
Date: 15/10/2019

**List of other employee involved in Statutory Audit 2017-18 of Chhattisgarh State Power Distribution Company Limited, Raipur**

<b>Sr. No.</b>	<b>Name</b>	<b>Man days involved (Days)</b>
1.	CA P K Pandey	3
2.	CA Amit Pandey	20
3.	CA Shalini Pandey	10
4.	CA Sagar	50
5.	CA Harish	50
6.	CA Abhishek	60
7.	Kamran	30
8.	Santosh	30
9.	Suraj	30
	<b>Total</b>	<b>283</b>





## PROFORMA ON THE PERFORMANCE OF THE AUDITORS OF THE GOVERNMENT COMPANIES & CORPORATION FOR THE YEAR 2017-18

To be sent to the Comptroller Auditor General's office with the endorsement copy of Comments/Nil comments Certificate on the accounts of the company/Corporation.

<b>A Basic Data</b>					
(i)	Name of the Company/Corporation			Chhattisgarh State Power Distribution Company Limited	
(ii)	Name of the Branch/Unit of the Company/Corporation Audited			Offices throughout the State of Chhattisgarh State Power Distribution Company Limited	
(iii)	Year of Accounts			F.Y. 2017-18	
(iv)	Name of the Statutory Auditors; Joint Auditor and Branch Auditors And the Partner who Certified the financial statements on the behalf of the CA firm			S.A. M/S Pandey & Co, Raipur Offices Branch Auditors as per list of the company	
(v)	Name of the partner, Chartered Accountant employees and other Employees who actually audited the Company/Unit and the man days deployed/spent by the Partners/CA employees on the audit:- <b>The team of Audit of CSPDCL, under in leadership of CA P K Pandey, CA Amit Pandey, CA Shalini, CA Sagar, CA Harish CA Abhishek with about 3 Assistants and totally man days involved over 250.</b>				
	Name	Man days/hours Spent Audit	TA/DA paid/payable	Out of the pocket expenses Paid/payable	
	(a)Partners CA.Amit Pandey CA.P.K. Pandey CA.Shalini Pandey CA Sagar Kewlani CA Harish Khatwani	283 Days			
	(b)Chartered Accountant employees	60	Nil	Nil	
	(c) Other employees	List enclosed			
(vi)	Audit fee and other remuneration paid/payable to the Auditors by the Company.(please give separate entries for each Audit firm and each type of remuneration)				
	Name of the Statutory Auditor/Joint Auditor/Branch Auditor	Audit fees mentioned in the annexure ii attached with appointment letter	Audit fees (including for CFS) actually paid/payable by the Company	Details of the other remuneration/fees paid/payable to the auditor . along with amount thereof fir the year of account	
	S.A. Pandey & Co.	10,00,000	payable	i) Tax Audit	Rs.2,00,000
				ii)Vat Audit	Nil
				iii)Half yearly/quarterly financial review	Nil
				iv)Others(-)	