HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED

(A State Govt. Undertaking)

Replies to comments of Comptroller and Auditor General of India under section 143 (6) (b) read with section 129 (4) of the Companies Act, 2013 on the Consolidated Financial Statements of Himachal Pradesh State Electricity Board Ltd for the year ended 31 March, 2021.

CAG comments on the consolidated financial statements of HPSEBL for the year ended 31st March, 2021	Management Reply
Statement of Profit and Loss **1. Income** **Other incomes (Note-2.29)- Rs. 301.78 crore** Above includes Rs.7.41 crore shown as interest recoverable on PLA/advances for the period from 2017-18 to 2020-21, from a contractor. The matter is under arbitration. As such, instead of treating it as income the interest should have been shown as contingent asset in accordance with para 89 of Indian Accounting Standard-37. This resulted in overstatement of "Other Non Current Assets- Other Advance" and understatement of "Incidental Expenditure during Construction" and consequent understatement of "Capital Work-in-Progress (Note: 2.2)" by Rs. 7.41 crore.	In this context, it is intimated that M/s Abir Infrastructure Pvt. Ltd. has filed an arbitration case in 27 March, 2017 against the BVPCL and has claimed compensation of Rs. 19.68 crore alongwith interest @18% before the sole arbitrator appointed by the company. The said firm has also furnished undertaking that the amount placed in PLA of M/s Abir Infrastructure Pvt. Ltd. by BVPCL to complete the balance work of HRT of Uhl Stage-III HEP expeditiously along with prevailing interest i.e. 14% simple rate of interest and be recovered through the final settlement of claims pending with the department, bills or encashment of bank guarantees and post dated cheques issued in favour of BVPCL. In case the amount of claims settled through due payments and bank guarantees, post dated cheques not sufficient to offset the PLA of contractor, who undertake to make good such deficit from other resources of contractor without prejudice to the rights to exercise of power vested with BVPCL vide undertaking Sr. No 1598 dated 19-5-2017 and Sr. No. 1718 dated 18/1/2018. These undertaking were submitted after filing the arbitration case, which shows that the said firm has agreed to pay the interest to BVPCL. BVPCL has only charged interest as agreed by the firm and same has accounted for in the books of accounts. Hence there is no overstatement of Other non current assets-other advances and no understatement of Incidental expenditure during construction and no consequent understatement of Capital Work in progress.

Balance Sheet **2 Assets** **Noncurrent Asstes** **Property, Plant and Equipments (Note No.-20.1): Rs 5766.47 Crore** (i) Above does not include Rs 5.38 Crore belong the value of self executed works by various consumers, which becomes the property of the company at the time of release of connection to that particular consumer. This has resulted in understatement of "Property Plant and Equipment" as well as "Other Non-Current liabilities (Note-2.21)-Consumer contribution towards cost of capital" by Rs 2.38 crore. (ii) Above does not include Rs 14.26 lakh in respect of two completed works which had not been capitalized. This has resulted in understatement of "Property Plant and Equipment" (Note-2.1) and overstatement of " Capital Work-in Progress (Note-2.1)" by Rs 14.26 lakh.	(i) In reply to this para, it is submitted that self executed works against "Consumer contribution towards cost of capital" amounting to Rs. 538.26 lakh will be capitalized/ accounted for after reconciliation, proper verification and handing over the Assets to the Company by the consumer. Hence para may be dropped please. (ii)In reply to this para, it is submitted that works Construction of 400 KVA Sub Station at RanaKhud for Rs. 7.73 Lakh and work relating to Sale of Power to Lift Water Supply Scheme to MajhwarChhatter for Rs. 6.53 lakh) under Electricity Division Jogindernagar (Electrical Sub Division Chauntra) will be capitalized during the current financial year. Hence para may be dropped please.
3. Capital Work-in-Progress (Note No. 2.2) Rs. 1628.94 cr. (i) Above includes the following assets which were lost/became unusable but have not been written off: A major fire broke out (18.042019) at 132/33 KV Sub-station at Dhera, which resulted into damage of two 33 KV CTs (Current Transformers), one 11 KV outgoing feeder panel, Disturbance recorder and termination kits. Loss assessed (by the Company) on above account was Rs. 27.31 lakh.	(i) In reply to this para , it is submitted these jetties were washed away due to an unprecedented flood event on the intervening night of 17th & 18th Aug 2019 for which damage report and enquiry report has already been submitted to the Tourism department. The case for writing off the aforementioned was further placed before WTD for approval. The decision of the WTD was conveyed to this office by the Chief Engineer (PCA) office letter No. HPSEBL/CE(PCA)/ Larji(NRNM) 505/2020-71 dated 11.05.2020 that " *the Board of Directors directed that before writing of the loss, an opinion of*

Jetties and danger line installed in the Larji reservoir at Beas River under deposit work for development of tour4ism and water sports facilities at Larji HEP under NRNM (NayiRaheinNayiManjilien) scheme were damaged and swept away in the flash flood. The investigation committee assessed the loss of Rs. 55.28 lakh on this account. Non writing off the above assets has resulted into overstatement of "Capital Work-in-Progress" and understatement of "Loss" by Rs. 82.59 lakh.	*Tourism Department be taken.* " Accordingly, the matter has been taken up with Tourism Department for their consent which is still awaited. The of amount jetties damaged / washed out is appearing in the CWIP and correspondence amount is being shown under the head Deposit (Liability from customer). As soon as the consent of Tourism Department will be received, the case for adjusted shall be processed and necessary accountal shall be made with deposit amount in the book of accounts accordingly. * In this regard, it is submitted that the jetties and danger line installed in Larji reservoir at Beas River were procured against the deposit work for development of Tourism and water sports facilities at Larji HEP under NRNM scheme. The assets (other than the washed away floating jetties) so far created against this deposit work have been transferred to AtalBihari Vajpayee Institute of Mountaineering and Allied Sports (ABVIMAS), Manali as per the directions of the Tourism department conveyed vide letter No. TSM-4-81/2018-Larji-1-10829 dated 09.02.2021 The para may be dropped.
(ii) The above includes Rs. 0.22 crore on account of procurement of various IT related office equipments. Since these equipment were in ready to use condition the same should have been capitalized. This has resulted in overstatement of "Capital Work-in-Progress (Note No. 2.2)" and understatement of "Property Plant and equipment (Note2.1)" by Rs. 0.22 crore.	(ii) In reply to this Memo, it is submitted that Capital Work in Progress- Office equipment amounting to Rs. 21.53 lakh pertains to the Chief Engineer, Generation Sundernagarand will be capitalized during the current financial year. Hence the para may be dropped.
(iii) The above includes Rs. 1.07 crore on account of Vehicles and Rs. 48.22 crore on account of Office Equipments" (Account Code 14.9) Since these items were purchased as ready to use, there is need to reallocated this amount to	ili) In reply to this para, it is submitted that physically there is no vehicle under the Head "Capital Work in Progress- Vehicles" (Account Code 14.7). The balance shown in above Account Code is due to mis-classification and the same will be

proper class of other assets rather than in “Capital Work-in-Progress” after detailed investigation.	rectified in the current financially year. In view of above facts, audit is requested to settle the para please.
Capital Work-in-Progress (Note No. 2.2) **4.Contract-in-Progress (Account Code 15.1) Rs. 0.85 crore.** The above includes Rs. 66.55 lakh being expenses incurred on renovation/addition and alteration of existing 22 KV control point building (Electricity Sub Division Reckongpeo). Despite the completion of work (April, 2017) it was not transferred to fixed assets, as a result depreciation was also not charged. This has resulted into overstatement of “Contract-in-Progress” by Rs. 66.55 lakh, understatement of “Property Plant and equipment-Buildings (Note 2.1)” by Rs. 58.15 lakh, negative figure of “Other equity” by Rs. 6.40 (depreciation for previous years) and “Loss” by Rs. 2.00 lakh (depreciation for current year).	It is submitted that the Contract in Progress to the tune of Rs. 66.55 lakh will be capitalized during current financial year 2021-22 and depreciated accordingly. Hence para may be dropped please.
Other Non Current Assets Note No. 2.7) **5. Survey Feasibility Expenses of Project Rs. 81.99 cr.**	
(i) Above includes Rs. 5.47 crore shown recoverable from various IPPs on account of Interest During Construction (IDC) charged in Survey and Feasibility expenses in respect of 14 Hydro Electric Project (HEP) this was in contravention of the decision of Managing Committee (22.04.2010) of the Company. This has resulted in over statement of “Survey Feasibility Expenses of Projects” and understatement of negative figure of “Other Equity” by Rs. 5.47 crore.	(i) It is submitted that theamount is recoverable against 14 Nos Projects allotted to various IPPs on accounts of S&I expense. In respect of 6Nos projects,amount is with the books of the accounts and remaining 8 projects the reconciliation is being under process with the book of accounts of the Units. The matter has been brought to the notice of Chief Engineer (PCA) for necessary for further action and rectification in next year. Hence para may be dropped.
(ii) Above includes an amount of Rs. 1.14 crore being expenditure incurred on Survey and Investigation (S&I) of two	(ii)In reply to the memo, it is submitted that expenditure incurred on Survey and Investigation (S&I) of two abandoned

abandoned HEPs. The amount has not been written off in the books even after approval of the BOD. This has resulted in overstatement of "Survey Feasibility Expenses of Projects" and understatement of negative figure of "Other Equity" by Rs. 1.14 crore.	projects (TirthanRs. 108.85 lakh and Kalath Rs.5.03 Lakh) had already been approved to write off in the 23rd meeting 29.8.2015 in BODs, but not accounted far till date by the field units. This amount will be accounted for during current financial year. Hence para may be dropped please.
(iii) Above includes an amount of Rs. 1.33 crore being expenditure incurred on Survey and Investigation (S&I) of Khauli (HEP-I). Since the project has been constructed by the Company itself, the amount shown as recoverable needs to be capitalized. This has resulted in overstatement of "Survey Feasibility Expenses of Projects" and understatement of "Property Plant and equipment (Note-2.1)" by Rs. 1.33 crore.	iii) It is submitted that reconciliation with concerned IPPs on account of Survey and Feasibility expenses amounting to Rs. 132.99 lac is in process and will be done shortly. Hence para may be dropped please.
<u>6. Current Liabilities</u> **Provisions (Note No. 2.26) Rs. 19.58 crore.** (i) The above does not include Rs. 2.09 crore on account of first installment (25percent), payable towards Local Area Development Fund (LADF) being 1.5 percent of the total project cost relating to four HEPs viz Devi Kothi-II, SaiKothi-I, SaiKothi-II and Hail. Non-provision of LADF has resulted in understatement of "Current Liabilities-Short Term Provisions" as well as "Capital Work-in-Progress" by Rs. 2.09 crore.	i) In this context, it is submitted that Govt. of HP has allotted 4 projects to HPSEBL viz Devi Kothi-I HEP (16.50 MW), SaiKothi-I HEP (15 MW), SaiKothi-II (15 MW) and Hali HEP (14 MW) during 2014. Thereafter, kfw funding agency of Germany is regularly being approached/ requested through Dept. of Economic affairs to sign the loan Agreement on mutually agreed terms & conditions for funding the above stated projects. However, this issue is still in progress. Further, it is also intimated that the various requisite clearance like FCA relating to all the projects has not been accounted by MOEF, Govt. of India. It further submitted that zero date is to be achieved after getting all the approvals and clearances from the concerned Govt. Departments. As far as the installment of LADF is concerned, it is submitted that same shall be deposited within 24 months after achieving the zero date for the above projects. Hence para may be dropped.
(ii) Above includes Rs. 17.48 crore shown under "Liabilities Expenses-Provision". Since, the liabilities included in above head (outsource staff salary, telephone bills, printing	ii) In reply to the memo, it is submitted that the provision of expenses i.e. Medical Expenses Staff, Outsource Staff Salary, Telephone Bills, Printing Stationary, Entertainment, Books and

stationary, Entertainment, Books and Periodicals) etc. are definite and not the estimated amounts as such the same should have booked under "other current liabilities" as per provisions of Para 10 of IND AS-37. This has resulted in overstatement of "Current Liabilities-Provisions (Note 2.26)" and understatement of "Other Current Liabilities Note 2.25" by Rs. 17.48 crore.	Periodicals etc. has been made on the basis of invoices/ documents received at the time of closing of accounts. The actual payment is made to the employees/Vendors after fulfilling the codal formalities and verifying the eligibility/ entitlement of the concerned. When the final bills are approved by the competent authority, the provision is written back and actual expenditure is booked accordingly. In view of above, para may be dropped.
7. Note Forming Parts of the Accounts **(i) Disclosure of Contingent Liabilities** Directorate of Energy has raised a demand of Rs. 9.53 cr. on account of difference of free power share of Govt. of HP received from IPPs by the Company. The Company has neither recognized the liability nor carried out any reconciliation to confirm the liability. Hence, the same should have been depicted as Contingent Liability until reconciliation.	(i) In reply to the memo it is submitted that as per directions of the *Hon'ble* High Court a meeting was held (31.08.2013) under the Chairmanship of Principal Secretary (Urban Development) to the Govt. of HP in which it was decided to either waive off or to adjust the recoverable amount from the dues payable to the Government of HP (GoHP). The Company had made adjustment against payable amount to Govt of HP and regular reconciliation is being made and no objection has been raised by the concern department for such adjustments. Hence para may dropped please
(ii) Consumers Grievances Redressal Forum, HP directed (22.06.2021) the Company to pay admissible interest @12 percent per annum (Regulation-18 of the HPERC (Recovery of Expenditure for Supply of Electricity Regulations, 2021) to one industrial consumer on account of delayed refund of department charges. The interest burden on the Company amount to approxRs. 107.57 lakh. However, the Company has filed review application (Sept., 2021) which is under consideration with the forum. As such it should have been shown as contingent liability.	(ii) In reply to this para, it is submitted that the case of recovery of interest for delayed portion on the refund of demand / departmental charges in respect of M/s Sun Pharmaceutical Industries Limited (erstwhile Ranbaxy Laboratories Limited), Paonta Sahib under litigation for with Consumer Grievance Redressal Forum, Kasumpti, Shimla. Forum vide their order dated 22.06.2021, directed HPSEBL to calculate and pay amount of interest which became Rs. 1,07,57,361 approx. The matter for paying the interest has been referred to legal opinion and Company intend to contest the matter in Hon'ble high Court. The Company has been filed review application (Sept, 2021) which is under

	consideration with the forum. The necessary disclosure with interest burden on the Company amounts to approxRs. 107.57 lakh shall be disclosed in Notes to accounts at the time printing of balance sheet. Hence para may be dropped.
(iii) In compliance to State Government (GoHP) orders dated 14 August 2018 Company handed over office accommodation, building alongwith other miscellaneous civil works, equipment, furniture and fixture and office equipment valuing Rs. 2.93 crore to Himachal Pradesh Load Dispatch Society. During December, 2019 Company requested the Society for payment on this account but, the Society intimated that the assets have been transferred under "Himachal Pradesh Power Sector Reforms Transfer Scheme 2010" and was not to be treated as sale. The matter was under4 consideration of GoHP, as such, the disclosure should have been given.	(iii) In reply to this para, it is submitted that Government of Himachal Pradesh vide order dated 14.08.2018 has decided that the State Load Dispatch Centre (SLDC) is to be function independently as a Society and the office accommodation, building & assets of SLDC/ALDC is jointly used by HPSEBL& SLDC. As per transfer scheme notified by the GOHP, Assets value to Rs. 2, 93, 19,866/- has been identified and matter is under consideration with Govt. of HP and SLDC. As per Himachal Pradesh Power Sector Reforms Transfer Scheme, 2010" dated 10.06.2010 , all types of assets, properties, rights, liabilities, obligations, proceeding and personnel of erstwhile HPSEB which stands vested in the Government of H.P. under section 131(1) of Electricity Act,2003 stand re-vested into different corporate bodies viz, HPPCL, HPPTCL, HPLDC etc. to carry out independent statutory functions. It is not clear that assets value is not recoverable from different corporate bodies viz, HPPCL, HPPTCL, HPLDC etc. Hence, the version of the audit to charge amount to Profit and Loss account of the company is not acceptable. Hence para may be dropped.
(iv) it was disclosed vide Note No. 38 that "the Company has charged the following amounts during the year relating to prior period expenses and income due to the revised order of CERC/HPERC, Court and Govt. in current year as per its accounting policy." Since the company has not received	iv) In reply to the para it is stated that no order regarding Tariff/ AFC revision has so far been received from CERC/ HPERC for the FY 2020-21. As such no prior period expenses has been booked under this head. Hence para may be dropped.

any revised order from CERC/HPERC, Court and Govt. during the financial year 2020-21 no prior period expenses on that account were booked. Therefore the ibid Note is deficient to that extent.	
(v) The Beas valley power corp. ltd (Wholly owned Subsidiary Company of HPSEBL) has taken a loan of Rs. 933.40 crore from PFC Ltd. for HEP UHL-III. This Loan has been secured by charge on immovable assets of the project land of UHL-III and guarantee of HPSEBL which was approved by of the Board of Directors of the Company (HPSEBL) in its 34th Meeting. This being an important event should have been disclosed by way of Notes to the Accounts.	(v) In reply to the memo necessary Notes will be disclosed in the "Notes to Accounts" at the time of printing. Hence para may be dropped please.
(vi) Company vide Note No. 55 has disclosed that the Govt. of HP is providing additional equity funds i.e. Rs. 50 cr in every year to meet up the gap on account of loss. However, the Govt. of HP had provided additional equity of Rs. 35.91 cr and Rs. 25.00 cr during FY 2019-20 and 2020-21 respectively. Hence, the note is deficient to that extent.	(vi) In reply to this para it is submitted that the Govt. of Himachal Pradesh is providing additional budget against equity funds i.e. 50 crore to meet up the gap in every year.HP Govt. Budget estimates (Copy enclosed). The year wise detail of equity provided by the Govt. has been disclosed at Sr. 49 (a) Notes to Accounts which show that HP govt. is providing adequate equity to HPSEBL in every year.Further GoHP has provided addition revenue assistance of Rs. 2416.68 lakh to the Company under tribal area and flood cyclone from respective Divisional Commissioner. The disclosure for the commitment to provide the equity fund of Rs. 50 Crore in every year made by the Govt. of Himachal Pradesh as per availability of fund and assurance in the various meeting. Hence the Note No. 55 providing additional equity of Rs. 50 Cr in every is not deficient and par may be dropped.
(vii) The Company adjusted Rs. 8.92 cr, recoverable as	(vii)In reply to the memo it is submitted that the Ex-post facto sanction to the tune of Rs.8.92 crore (5.35 crore from

electricity charges from Municipal Committees, from the dues payable to the GoHP during FY 2013-14. However, the Directorate of energy (Nodal Agency of Govt. of HP) objected to the adjustment and the same amount is still being demanded from the Company. To Settle the issue the Company has applied for the Ex-Post Facto sanction to the Finance Department/GoHP (Since July, 2016) which is still awaited. This being significant event, should have been disclosed by way of Notes to Accounts.	Municipal Committee Mandi andRs. 3.57 crore from various Urban Local Bodies across the State) on account of surcharge on late payment of electricity charges is still awaited from Finance Department/ GoHP. As and when the approval will be received, the necessary accounting be made accordingly and disclosed in the Notes of Accounts. Hence para may dropped please.
8. Statutory Auditor's Report The Statutory Auditor in its report has qualified that "The Tisa Division of PCA is showing a sum of Rs. 323 lakh in respect of Khauli Power House which has been commissioned and no details for the same is available. In our opinion the CWIP is overstated to the extent of above and same should be written off. Thus expenditure is understated to the extent of above." In this connection it is pertinent to mention that Khauli Power House has been constructed by the Company itself. However, the Company had initiated the survey and investigation work (Prior to 2013) for preparation of Draft Feasibility Report (DFR) for KhauliHydro electric Project Stage II and the amount of Rs. 323 lakh represents the expenditure incurred on its survey and investigation which has accordingly been shown under Capital Work-in-Progress.	In this regards, it is submitted that the Khauli Const. Division, HPSEBL ShahpurDistt. Kangra was transferred/ shifted from closing Bhaba Const. Division No.1, HPSEBL, and Bhabanagar in O/o 30 dated 30.6.2012 and further this Division was transferred / shifted to Tisa Distt. Chamba renamed as Projects Const. Division No-1 HPSEBL, Tissa in 12.9.2013 and start functioning at Tissa 13.9.2013. The Khauli Const. Division had assigned the pre stage const. activities and survey work of Khouli HEP Stage-II. In this scheme (14.21.4) all the expenditure incurred in pre stage activities by Khouli Const. Division Shahpur has been accounted for upto 9/2014, amounting to Rs. 3,23,09,808/- only in PCD-I HPSEBL Tissa and further no expenditure has been accrued by Projects Const. Division No-1 HPSEBL, Tissa. The process for reconciliation facts

Hence, the qualification of the Statutory Auditor is deficient to that extent.	and figures is in progress which shall be adjusted accordingly in next financial year. Hence para may be dropped please.
9. Impact of comments As a result of comments, current year loss has been understated by Rs. 0.85 cr. in case these adjustments are carried out, loss will be Rs. 186.11 crore against depicted loss of Rs. 185.26 crore.	No comments.

Chief ~~Accounts~~ Officer,
HPSEBL VidyutBhawan, Shimla-4.

Place : Shimla
Dated: 27.11.2021

HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
(A State Govt. Undertaking)

Replies to comments of Comptroller and Auditor General of India under section 143 (6) (b) read with section 129 (4) of the Companies Act, 2013 on the Financial Statements of Himachal Pradesh State Electricity Board Ltd for the year ended 31 March, 2021 .

CAG comments on the standalone financial statements of HPSEBL for the year ended 31st March, 2021	**Management Reply**
Statement of Profit & Loss **Balance Sheet** **1. Assets-Non Current Assets** **Property, Plant and Equipments (Note No. 2.1) Rs. 5766.47 cr.**	
i) Above does not include Rs. 5.38 cr being the value of self executed works by various consumers, which becomes the property of the Company at the time of release of connection to that particular consumer. This has resulted in understatement of "Property Plant and Equipment" as well as "Other Non-current liabilities (Note2.21)- consumer contribution towards cost of capital" by Rs. 5.38 cr.	(i) In reply to this para, it is submitted that self executed works against "Consumer contribution towards cost of capital" amounting to Rs. 538.26 lakh will be capitalized/ accounted for after reconciliation, proper verification and handing over the Assets to the Company by the consumer. Hence para may be dropped please.
(ii) Above does not include Rs. 14.26 lakh in respect of two completed works which had not been capitalized. Thus has resulted in understatement of "Property and Equipments (Note-2.1)" and overstatement of "Capital Work-in-Progress (Note 2.2)" by Rs. 14.26 lakh.	(ii)In reply to this para, it is submitted that works Construction of 400 KVA Sub Station at Rana Khud for Rs. 7.73 Lakh and work relating to Sale of Power to Lift Water Supply Scheme to Majhwar Chhatter for Rs. 6.53 lakh) under Electricity Division Jogindernagar (Electrical Sub Division Chauntra) will be capitalized during the current financial year. Hence para may be dropped please.
2. Capital Work-in-Progress (Note No. 2.2) Rs. 1628.94 cr. (i) Above includes the following assets which were	(i) In reply to this para , it is submitted these jetties were

lost/became unusable but have not been written off: *A major fire broke out (18.042019) at 132/33 KV Sub-station at Dhera, which resulted into damage of two 33 KV CTs (Current Transformers), one 11 KV outgoing feeder panel, Disturbance recorder and termination kits. Loss assessed (by the Company) on above account was Rs. 27.31 lakh.	washed away due to an unprecedented flood event on the intervening night of 17th & 18th Aug 2019 for which damage report and enquiry report has already been submitted to the Tourism department. The case for writing off the aforementioned was further placed before WTD for approval. The decision of the WTD was conveyed to this office by the Chief Engineer (PCA) office letter No. HPSEBL/CE(PCA)/ Larji(NRNM) 505/2020-71 dated 11.05.2020 that " *the Board of Directors directed that before writing of the loss, an opinion of Tourism Department be taken.* " Accordingly, the matter has been taken up with Tourism Department for their consent which is still awaited. The of amount jetties damaged / washed out is appearing in the CWIP and correspondence amount is being shown under the head Deposit (Liability from customer). As soon as the consent of Tourism Department will be received, the case for adjusted shall be processed and necessary accountal shall be made with deposit amount in the book of accounts accordingly.
*Jetties and danger line installed in the Larji reservoir at Beas River under deposit work for development of tourism and water sports facilities at Larji HEP under NRNM (NayiRaheinNayiManjilien) scheme were damaged and swept away in the flash flood. The investigation committee assessed the loss of Rs. 55.28 lakh on this account. Non writing off the above assets has resulted into overstatement of “Capital Work-in-Progress” and understatement of “Loss” by Rs. 82.59 lakh.	* In this regard, it is submitted that the jetties and danger line installed in Larji reservoir at Beas River were procured against the deposit work for development of Tourism and water sports facilities at Larji HEP under NRNM scheme. The assets (other than the washed away floating jetties) so far created against this deposit work have been transferred to AtalBihari Vajpayee Institute of Mountaineering and Allied Sports (ABVIMAS), Manali as per the directions of the Tourism department conveyed vide letter No. TSM-4-81/2018-Larji-1-10829 dated 09.02.2021 The para may be dropped.
(ii) The above includes Rs. 0.22 crore on account of procurement of various IT related office equipments. Since these equipment were in ready to use condition the same	(ii) In reply to this Memo, it is submitted that Capital Work in Progress- Office equipment amounting to Rs. 21.53 lakh pertains to the Chief Engineer, Generation Sundernagarand

should have been capitalized. This has resulted in overstatement of "Capital Work-in-Progress (Note No. 2.2)" and understatement of "Property Plant and equipment (Note2.1)" by Rs. 0.22 crore. (iii) The above includes Rs. 1.07 crore on account of Vehicles and Rs. 48.22 crore on account of Office Equipments" (Account Code 14.9) Since these items were purchased as ready to use, there is need to reallocated this amount to proper class of other assets rather than in "Capital Work-in-Progress" after detailed investigation.	will be capitalized during the current financial year. Hence the para may be dropped. ili) In reply to this para, it is submitted that physically there is no vehicle under the Head "Capital Work in Progress-Vehicles" (Account Code 14.7). The balance shown in above Account Code is due to mis-classification and the same will be rectified in the current financially year. In view of above facts, audit is requested to settle the para please.
<u>Capital Work-in-Progress (Note No. 2.2)</u> **<u>3.Contract-in-Progress (Account Code 15.1) Rs. 0.85 crore.</u>** The above includes Rs. 66.55 lakh being expenses incurred on renovation/addition and alteration of existing 22 KV control point building (Electricity Sub Division Reckongpeo). Despite the completion of work (April, 2017) it was not transferred to fixed assets, as a result depreciation was also not charged. This has resulted into overstatement of "Contract-in-Progress" by Rs. 66.55 lakh, understatement of "Property Plant and equipment-Buildings (Note 2.1)" by Rs. 58.15 lakh, negative figure of "Other equity" by Rs. 6.40 (depreciation for previous years) and "Loss" by Rs. 2.00 lakh (depreciation for current year).	It is submitted that the Contract in Progress to the tune of Rs. 66.55 lakh will be capitalized during current financial year 2021-22 and depreciated accordingly. Hence para may be dropped please.
Other Non Current Assets Note No. 2.7) **4. Survey Feasibility Expenses of Project Rs. 81.99 cr.**	

(i) Above includes Rs. 5.47 crore shown recoverable from various IPPs on account of Interest During Construction (IDC) charged in Survey and Feasibility expenses in respect of 14 Hydro Electric Project (HEP) this was in contravention of the decision of Managing Committee (22.04.2010) of the Company. This has resulted in over statement of “Survey Feasibility Expenses of Projects” and understatement of negative figure of “Other Equity” by Rs. 5.47 crore. (ii) Above includes an amount of Rs. 1.14 crore being expenditure incurred on Survey and Investigation (S&I) of two abandoned HEPs. The amount has not been written off in the books even after approval of the BOD. This has resulted in overstatement of “Survey Feasibility Expenses of Projects” and understatement of negative figure of “Other Equity” by Rs. 1.14 crore. (iii) Above includes an amount of Rs. 1.33 crore being expenditure incurred on Survey and Investigation (S&I) of Khauli (HEP-I). Since the project has been constructed by the Company itself, the amount shown as recoverable needs to be capitalized. This has resulted in overstatement of “Survey Feasibility Expenses of Projects” and understatement of “Property Plant and equipment (Note-2.1)” by Rs. 1.33 crore.	(i) It is submitted that theamount is recoverable against 14 Nos Projects allotted to various IPPs on accounts of S&I expense. In respect of 6Nos projects,amount is with the books of the accounts and remaining 8 projects the reconciliation is being under process with the book of accounts of the Units. The matter has been brought to the notice of Chief Engineer (PCA) for necessary for further action and rectification in next year. Hence para may be dropped. (ii)In reply to the memo, it is submitted that expenditure incurred on Survey and Investigation (S&I) of two abandoned projects (TirthanRs. 108.85 lakh and Kalath Rs.5.03 Lakh) had already been approved to write off in the 23rd meeting 29.8.2015 in BODs, but not accounted far till date by the field units. This amount will be accounted for during current financial year. Hence para may be dropped please. iii) It is submitted that reconciliation with concerned IPPs on account of Survey and Feasibility expenses amounting to Rs. 132.99 lac is in process and will be done shortly. Hence para may be dropped please.
<u>5. Current Liabilities</u> **Provisions (Note No. 2.26) Rs. 19.58 crore.** (i) The above does not include Rs. 2.09 crore on account of first installment (25percent), payable towards Local Area Development Fund (LADF) being 1.5 percent of the total project cost relating to four HEPs viz Devi Kothi-II, SaiKothi-I, SaiKothi-II and Hail. Non-provision of LADF has resulted in understatement of “Current Liabilities-Short Term Provisions”	i) In this context, it is submitted that Govt. of HP has allotted 4 projects to HPSEBL viz Devi Kothi-I HEP (16.50 MW), SaiKothi-I HEP (15 MW), SaiKothi-II (15 MW) and Hali HEP (14 MW) during 2014. Thereafter, kfw funding agency of Germany is regularly being approached/ requested through Dept. of Economic affairs to sign the loan Agreement on mutually agreed terms & conditions for funding the above stated projects. However, this issue is still in progress. Further, it is also intimated that the various requisite clearance like FCA relating to all the projects has not been accounted by MOEF, Govt. of India. It further submitted that zero date is to be achieved after

as well as “Capital Work-in-Progress” by Rs. 2.09 crore. (ii) Above includes Rs. 17.48 crore shown under “Liabilities Expenses-Provision”. Since, the liabilities included in above head (outsource staff salary, telephone bills, printing stationary, Entertainment, Books and Periodicals) etc. are definite and not the estimated amounts as such the same should have booked under “other current liabilities” as per provisions of Para 10 of IND AS-37. This has resulted in overstatement of “Current Liabilities-Provisions (Note 2.26)” and understatement of “Other Current Liabilities Note 2.25” by Rs. 17.48 crore.	getting all the approvals and clearances from the concerned Govt. Departments. As far as the installment of LADF is concerned, it is submitted that same shall be deposited within 24 months after achieving the zero date for the above projects. Hence para may be dropped. ii) In reply to the memo, it is submitted that the provision of expenses i.e. Medical Expenses Staff, Outsource Staff Salary, Telephone Bills, Printing Stationary, Entertainment, Books and Periodicals etc. has been made on the basis of invoices/ documents received at the time of closing of accounts. The actual payment is made to the employees/Vendors after fulfilling the codal formalities and verifying the eligibility/ entitlement of the concerned. When the final bills are approved by the competent authority, the provision is written back and actual expenditure is booked accordingly. In view of above,para may be dropped.
6. Note Forming Parts of the Accounts **(i) Disclosure of Contingent Liabilities** Directorate of Energy has raised a demand of Rs. 9.53 cr. on account of difference of free power share of Govt. of HP received from IPPs by the Company. The Company has neither recognized the liability nor carried out any reconciliation to confirm the liability. Hence, the same should have been depicted as Contingent Liability until reconciliation.	(i) In reply to the memo it is submitted that as per directions of the *Hon’ble*High Court a meeting was held (31.08.2013) under the Chairmanship of Principal Secretary (Urban Development) to the Govt. of HP in which it was decided to either waive off or to adjust the recoverable amount from the dues payable to the Government of HP (GoHP). The Company had made adjustment against payable amount to Govt of HP and regular reconciliation is being made and no objection has been raised by the concern department for such adjustments. Hence para may dropped please

(ii) Consumers Grievances Redressal Forum, HP directed (22.06.2021) the Company to pay admissible interest @12 percent per annum (Regulation-18 of the HPERC (Recovery of Expenditure for Supply of Electricity Regulations, 2021) to one industrial consumer on account of delayed refund of department charges. The interest burden on the Company amount to approxRs. 107.57 lakh. However, the Company has filed review application (Sept., 2021) which is under consideration with the forum. As such it should have been shown as contingent liability.	(ii) In reply to this para, it is submitted that the case of recovery of interest for delayed portion on the refund of demand / departmental charges in respect of M/s Sun Pharmaceutical Industries Limited (erstwhile Ranbaxy Laboratories Limited), Paonta Sahib under litigation for with Consumer Grievance Redressal Forum, Kasumpti, Shimla. Forum vide their order dated 22.06.2021, directed HPSEBL to calculate and pay amount of interest which became Rs. 1,07,57,361 approx. The matter for paying the interest has been referred to legal opinion and Company intend to contest the matter in Hon'ble high Court. The Company has been filed review application (Sept, 2021) which is under consideration with the forum. The necessary disclosure with interest burden on the Company amounts to approxRs. 107.57 lakh shall be disclosed in Notes to accounts at the time printing of balance sheet. Hence para may be dropped.
(iii) In compliance to State Government (GoHP) orders dated 14 August 2018 Company handed over office accommodation, building alongwith other miscellaneous civil works, equipment, furniture and fixture and office equipment valuing Rs. 2.93 crore to Himachal Pradesh Load Dispatch Society. During December, 2019 Company requested the Society for payment on this account but, the Society intimated that the assets have been transferred under "Himachal Pradesh Power Sector Reforms Transfer Scheme 2010" and was not to be treated as sale. The matter was	(iii) In reply to this para, it is submitted that Government of Himachal Pradesh vide order dated 14.08.2018 has decided that the State Load Dispatch Centre (SLDC) is to be function independently as a Society and the office accommodation, building & assets of SLDC/ALDC is jointly used by HPSEBL& SLDC. As per transfer scheme notified by the GOHP, Assets value to Rs. 2, 93, 19,866/- has been identified and matter is under consideration with Govt. of HP and SLDC. As per Himachal Pradesh Power Sector Reforms Transfer Scheme, 2010" dated 10.06.2010 , all types of assets, properties, rights, liabilities, obligations, proceeding and personnel of erstwhile HPSEB which stands vested in the

under4 consideration of GoHP, as such, the disclosure should have been given.	Government of H.P. under section 131(1) of Electricity Act,2003 stand re-vested into different corporate bodies viz, HPPCL, HPPTCL, HPLDC etc. to carry out independent statutory functions. It is not clear that assets value is not recoverable from different corporate bodies viz, HPPCL, HPPTCL, HPLDC etc. Hence, the version of the audit to charge amount to Profit and Loss account of the company is not acceptable. Hence para may be dropped.
(iv) it was disclosed vide Note No. 38 that "the Company has charged the following amounts during the year relating to prior period expenses and income due to the revised order of CERC/HPERC, Court and Govt. in current year as per its accounting policy." Since the company has not received any revised order from CERC/HPERC, Court and Govt. during the financial year 2020-21 no prior period expenses on that account were booked. Therefore the ibid Note is deficient to that extent.	iv) In reply to the para it is stated that no order regarding Tariff/ AFC revision has so far been received from CERC/ HPERC for the FY 2020-21. As such no prior period expenses has been booked under this head. Hence para may be dropped.
(v) The Beas valley power corp. ltd (Wholly owned Subsidiary Company of HPSEBL) has taken a loan of Rs. 933.40 crore from PFC Ltd. for HEP UHL-III. This Loan has been secured by charge on immovable assets of the project land of UHL-III and guarantee of HPSEBL which was approved by of the Board of Directors of the Company (HPSEBL) in its 34th Meeting. This being an important event should have been disclosed by way of Notes to the Accounts.	(v) In reply to the memo necessary Notes will be disclosed in the "Notes to Accounts" at the time of printing. Hence para may be dropped please.
(vi) Company vide Note No. 55 has disclosed that the Govt. of HP is providing additional equity funds i.e. Rs. 50 cr in every year to meet up the gap on account of loss. However, the Govt. of HP had provided additional equity of Rs. 35.91 cr and Rs. 25.00 cr during FY 2019-20 and 2020-21 respectively.	(vi) In reply to this para it is submitted that the Govt. of Himachal Pradesh is providing additional budget against equity funds i.e. 50 crore to meet up the gap in every year.HP Govt. Budget estimates (Copy enclosed). The year wise detail of equity provided by the Govt. has been disclosed at Sr. 49 (a) Notes to Accounts which show that HP govt. is providing

Hence, the note is deficient to that extent.	adequate equity to HPSEBL in every year.Further GoHP has provided addition revenue assistance of Rs. 2416.68 lakh to the Company under tribal area and flood cyclone from respective Divisional Commissioner. The disclosure for the commitment to provide the equity fund of Rs. 50 Crore in every year made by the Govt. of Himachal Pradesh as per availability of fund and assurance in the various meeting. Hence the Note No. 55 providing additional equity of Rs. 50 Cr in every is not deficient and par may be dropped.
(vii) The Company adjusted Rs. 8.92 cr, recoverable as electricity charges from Municipal Committees, from the dues payable to the GoHP during FY 2013-14. However, the Directorate of energy (Nodal Agency of Govt. of HP) objected to the adjustment and the same amount is still being demanded from the Company. To Settle the issue the Company has applied for the Ex-Post Facto sanction to the Finance Department/GoHP (Since July, 2016) which is still awaited. This being significant event, should have been disclosed by way of Notes to Accounts.	(vii)In reply to the memo it is submitted that the Ex-post facto sanction to the tune of Rs.8.92 crore (5.35 crore from Municipal Committee Mandi andRs. 3.57 crore from various Urban Local Bodies across the State) on account of surcharge on late payment of electricity charges is still awaited from Finance Department/ GoHP. As and when the approval will be received, the necessary accounting be made accordingly and disclosed in the Notes of Accounts. Hence para may dropped please.
7. Statutory Auditor's Report	
The Statutory Auditor in its report has qualified that "The Tisa Division of PCA is showing a sum of Rs. 323 lakh in respect of Khauli Power House which has been commissioned and no details for the same is available. In our opinion the CWIP is overstated to the extent of above and same should be written off. Thus expenditure is understated to the extent of above." In this connection it is pertinent to mention that Khauli Power House has been constructed by the Company	In this regards, it is submitted that the Khauli Const. Division, HPSEBL ShahpurDistt. Kangra was transferred/ shifted from closing Bhaba Const. Division No.1, HPSEBL, and Bhabanagar in O/o 30 dated 30.6.2012 and further this Division was transferred / shifted to Tisa Distt. Chamba renamed as Projects Const. Division No-1 HPSEBL, Tissa in 12.9.2013 and start functioning at Tissa 13.9.2013. The Khauli Const. Division had assigned the pre stage const. activities and survey work

itself. However, the Company had initiated the survey and investigation work (Prior to 2013) for preparation of Draft Feasibility Report (DFR) for KhauliHydro electric Project Stage II and the amount of Rs. 323 lakh represents the expenditure incurred on its survey and investigation which has accordingly been shown under Capital Work-in-Progress. Hence, the qualification of the Statutory Auditor is deficient to that extent.	of Khouli HEP Stage-II. In this scheme (14.21.4) all the expenditure incurred in pre stage activities by Khouli Const. Division Shahpur has been accounted for upto 9/2014, amounting to Rs. 3,23,09,808/- only in PCD-I HPSEBL Tissa and further no expenditure has been accrued by Projects Const. Division No-1 HPSEBL, Tissa. The process for reconciliation facts and figures is in progress which shall be adjusted accordingly in next financial year. Hence para may be dropped please.
8. Impact of comments As a result of comments, current year loss has been understated by Rs. 0.85 cr. in case these adjustments are carried out, loss will be Rs. 186.17 crore against depicted loss of Rs. 185.32 crore.	No comments.

Chief Accounts Officer,
F&A Wing, HPSEB Ltd., Shimla-4

Place : Shimla
Date: 27.11.2021

Himachal Pradesh State Electricity Board Ltd
(A state Govt. Undertaking)
{Auditor's Report}

REPLIES TO THE AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2021

OBSERVATION	REPLY
INDEPENDENT AUDITOR'S REPORT **To** **The Members of HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED** **Report on the Standalone Ind AS Financial Statements** **Adverse Opinion** We have audited the accompanying standalone Ind AS financial statements of **HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows, 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 "the standalone Ind AS financial statements"). 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 ***Basis for Adverse Opinion*** section of our report the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and do not 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 31st	Statements of facts, hence no comments.

March, 2021, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date. **Basis for Adverse Opinion** We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the standalone financial statements. *Due to covid pandemic we have not visited the circle offices and accounting units at field levels we have conducted audit at the Head Office by calling for the requisite information and documents through online and offline mode wherever required*.	The Standalone financial statements of the Company have been prepared as per the requirement of the Ind-AS, hence Auditors versions for adverse opinion is not acceptable.
A Preparation of Financial Statements **(i)** The company is maintaining the accounts of Operation circle i.e Shimla , Solan, Rampur, Rohru	(i) Agreed, the roll out of SAP/ ERP in Generation Wing, PCA and System Operation has been implemented

,Nahan, Hamirpur and Bilaspur and Head Office for complete year in the SAP. The Accounts of the Operation Circle Kullu, Mandi, Kangra, Una, and Dalhousie(except Killar) was converted into SAP during the year under review and the same is in operation after August 2020 . The Accounts of Generation, Transmission, PCA, M & T Circle , Head Office (Adjustment Account) and System Operations are prepared on old erstwhile Board Pattern.	w.e.f. May, 2021.Further, efforts are being made for the implementation of SAP/ ERP in Transmission Wing during the current financial year also.
(ii) In respect of Operation circles which are migrated into the SAP during the year under review it has been observed that the balances of the circles as on the date of migration has been incorporated as the accounting entries between April 2020 to July 2020 and the opening balances as on 1st Apirl 2020 and same has been shown as transactions during the non live period of the year. The Balances of the migrated operation circles is subject to reconciliation and confirmations. In the absence of information we are unable to comment on the same.	(ii) Statements of facts. Moreover the balances has been reconciled/ rectified during FY 2021-22.
(iii) Due to different sets of accounting code between SAP and manual System of accounting the Head Office has provided combined final trail balance for audit. We have observed that the figures tallies with the main account code and within the Main Head the figures in the sub heads are subject to reconciliation in case where the accounts are maintained in SAP	(iii) It is submitted that till the complete rollover of SAP/ERP is not made the necessary reconciliation of SAP live / non live units of company as whole is to be done and being done at head office level. Hence, version of the audit is not acceptable.
(iv) The Company has not made the classification of Current and Non Current assets and Liabilities at division level where the accounts are being prepared. The Classification is being done at Head Office Level only for	(iv) It is submitted that the detail of current/ noncurrent/ Liabilities is being consolidated as per the trial balances of field units and consolidated assets and Liabilities shown in the balance sheet by the HO. There is no

Borrowings and other recoverable. In the absence of information we are unable to comment on the classification of Current and Non current Assets and Liabilities and which will have a impact on the closing balances of current and Non current assets and Liabilities as on 31st March 2021 and corresponding previous year shown in the Financial Statements.	variation on the closing balances as on 31st March 2021 shown in the Financial Statements. Hence para may be dropped please.
B Non-Compliance of Indian Accounting Standard (Ind As) The Company has not complied with the following Indian Accounting Standards while preparing the financial statements: -	
(i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND As the company shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure for the same has been made in the note .	We do not agreed with the views of Auditors as the same has been shown/ mentioned in the financial statements 1.1.
(ii) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance. The company has not account for the assistance in the nature of providing the loan facility by the state government at concessional rate of interest or by deferring the payment of interest and principal of loan. The company must account for the interest payable on such concession /deferment till the close of the year at market rate as grant from the government and has to be accounted for as the	Statements of facts, hence no comments.

addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.	
(iii) Indian Accounting Standard (Ind AS) 19 Employees Benefits	
The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the **Post Employment Benefit: Defined Benefit Plans** which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Statements of facts, hence no comments.
(iv) **Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets:**	
The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions	Statements of facts, hence no comments.

, contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	
(v) **Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period**	
The financial Statements for the year under review are provided to us for audit on 30th September 2021 and was approved by the BOD on 30th September 2021. The financial statements are not adjusted for the events occurred between the Balance sheet date and the approval dates for both favorable and unfavorable events till date of the finalization of this report.	Statements of facts, hence no comments.
(vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement	
The Company has not made Fair Value measurement of the assets and Liabilities as on 31st March 2021 . The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.	Statements of facts, hence no comments.
(vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments	
The Company has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	Statements of facts, hence no comments.
(viii) **Indian Accounting Standard (Ind AS) 107 Financial**	

Instruments Disclosures The Company has not applied the Ind As 107 and has not disclosed the impact of Financial risks ie Credit Risk , Liquidity Risk, Market Risk and its impact on the Financial Statements.	Statements of facts, hence no comments.
(ix) Indian Accounting Standard (Ind AS) 12 Income Tax The Company has not followed the IND AS in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.
x) **Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors** The Company has not applied the Ind AS 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.22 of the Significant Accounting Policies of the company.	Statements of facts, hence no comments.
xi) Indian Accounting Standard (Ind AS) 14 Regulatory Deferral Account The Company has not applied the Ind AS 14 in relation Regulatory Deferral Account as the company is under regulation with Himachal Pradesh Regulatory Commission for fixing the Tariffs.	Statements of facts, hence no comments.

xii) Indian Accounting Standard(Ind As) 116 Leases The Company has not applied the Ind AS 116 in respect to leases which is effective from 01-04-2019. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.
xiii) Indian Accounting Standard (Ind As) 40 Investment Property The Company has not applied the Ind AS 40 in respect to Investment Property in respect to land and Buildings. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.
xix) **Indian Accounting Standard (Ind As 36**) **Impairment of Assets** The Company has not applied the Ind AS 36 in respect of the impairment of assets for those assets which have been carried at more then the recoverable amount through use and sale of the assets. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.

C Observations on the Financial Statements	
1 Property Plant and Equipment - Note 2.1 We invite attention to Note No 2.31 and Note no 1.2 & 1.3 of the Significant Accounting Policies and the Following are our observations	
(i) The Company has created assets on the land the ownership of which does not belong either to the erstwhile HPSEB or the company. No Information in respect of the same has been provided in the notes to accounts. In the absence of information we are unable to comment on the same.	(i) Necessary rectification is being carried in current financial year.
(ii) The accumulated depreciation as on 31st March 2021 is not adjusted on account of assets washed away in floods, assets not in use, assets stolen and impaired assets. In the absence of information we are unable to comment on the authenticity of the accumulated balance of depreciation at the end of the year.	(ii) It is submitted that the adjustment of depreciation as on 31st March 2021 on account of assets washed away in floods, assets not in use, assets stolen and impaired assets will be accounted for after the receipt of sanction of write-off from the competent authority as per policy. Hence, para may be dropped please.
(iii) The Company had charged the cost of new energy meters installed in repair and maintenance account in earlier years , without writing off the cost of old meters and the corresponding depreciation from the Fixed Assets Register which is contrary to the Ind AS16 – Property Plant and Equipment . In the absence of information we are unable to comment on the cost of written down of meters which are in the Fixed assets schedule which are of non-existent in nature.	(iii) The information shall be provided to the auditors during current audit.
iv) The company recognizes replaced items of Property, Plant and Equipment (PPE) as addition of PPE. However, carrying amount of old parts which are replaced, not derecognized from PPE. This is not in accordance with	**(iv)** Statement of facts, no comment.

Ind AS – 16 “Property, Plant and Equipment”. The effect of non-compliance of Ind AS – 16 is not ascertainable. v)The company recognizes capital spares as PPE and other spares as inventory based on predefined code system and not in accordance with requirement of Ind AS – 2 ‘Inventories’ and Ind – AS 16 ‘Property, Plant and Equipment’. The effect of such non-compliance of Ind AS - 2 and Ind AS -16 is not ascertainable	**(v)** Statement of facts, no comment.
2) Capital Work in Progress - Note 2.2 **(i)** The above account head shows a sum of **₹1,62,894.24 Lakhs** (Previous year **₹1,28,887.33** Lakh) on account of work in progress of various capital works as on **31st March 2021** which is subject to reconciliation and confirmations. No Information / explanations in respect of the same have been provided to us. **(ii)** It has been observed that the works under capital work in progress has not been closed for want of completion certificates where as actually the work has been completed and the assets has been put to use by the company. No sufficient information in respect of completed capital work in progress has been provided to us. In the absence of information we are unable to comment on the same. **(iii)** It has also been observed that in some cases the expenditure on capital work in progress has been incurred in excess of the sanctioned amounts and the work is still going on.	(i) In this regards it is intimated that, a sum of ₹1,62894.24 lakh(Previous year ₹1,28,887.33 Lakh) on account of work in progress of various capital works as on 31st March 2021, which has been reconciled by preparing the data in CS-7 form as per policy of the company. Hence version of the audit is not acceptable. ii) In this regards, it is intimated that all the works in progress has been capitalized by obtaining the completion certificate from Executing authority and then capitalized as per policy of the company. Hence, version of the audit is not acceptable. (iii) In this regards, it is submitted that, expenditure on CWIP has been incurred against the sanctioned schemes wherein provision of the same made available. Further, the matter for excess expenditure on capital work in progress of the sanctioned amounts and the

	work is still going on, which has been regularized by the revised sanctioned estimates from authority concerned. Hence,para may be dropped please.
(iv) It has also been observed that in some cases the work in progress has been partly transferred to the fixed assets on yearly basis without verifying that whether the work on the assets has been completely finished or not.	(iv) In this regards, it is intimated that, in some cases the work in progress has been partly transferred to the fixed assets on completed component of work, which are put in use. Hence para may be dropped please.
(v) Interest during Construction Period (IDC) It was observed that during the year company had paid ₹ **55,705.56** Lakh(Previous Year ₹ 51,811.99 lacs) total interest/ Finance Cost, out of which company has capitalized **₹8,083.18 Lakh(Previous Year ₹ 6,800.84 Lacs)** out of total interest. However the company did not provide us basis of such calculation of capitalization of interest. Therefore we are unable to comment that whether it was calculate as per Ind AS-23 Borrowing Costs.	(v) In reply of the para, it is submitted that company had paid **₹55,705.56** Lakh total interest/ Finance Cost, out of which company has capitalized **₹8083.18 Lakh** interest on the ongoing schemes and rest amount of interest has been charged to revenue due to closing of schemes. Further, the matter of calculation of interest, the same has been calculated on the basis of financing authorities and charged to the schemes on the basis of annual expenditure.
(vi) Contracts in Progress The Company showed a sum of ₹ **85.36 Lakh** (previous year₹ **67.32 Lakh**) as on 31st March 2021 as contract in progress at various divisions which is subject to reconciliation and confirmations.	vi) The efforts are being made for the reconciliation of the same by directing the fields units of the company.
vii) The Tisa Division of PCA is showing a sum of ₹ 323 lakhs in respect of Khauli Power House which has been commissioned and no details for the same is available. In our opinion the CWIP is overstated to the extent of	**(vii)** In reply to para, it is submitted that the Khauli Const. Division, HPSEBL Shahpur Distt. Kangra was transferred/ shifted from closing Bhaba Const. Division No.1, HPSEBL, and Bhabanagar in O/o 30 dated 30.6.2012 and further this Division transferred / shifted to Tisa Distt. Chamba

above and same should be written off. Thus Expenditure is understated to the extent of above.	renamed as Projects Const. Division No-1 HPSEBL, Tissa in 12.9.2013 and start functioning at Tissa 13.9.2013. The Khauli Const. Division had assigned the pre stage const. activities and survey work of Khouli HEP Stage-II. In this scheme (14.21.4) all the expenditure incurred in pre stage activities by Khouli Const. Division Shahpur has been accounted for upto 9/2014, amounting to Rs. 32309808/- only in PCD-I HPSEBL Tissa and further no expenditure has been accrued by Projects Const. Division No-1 HPSEBL, Tissa. The process for reconciliation facts and figures is in progress. Hence para may be dropped please.
3) Financial Assets Loans and Advances- Note 2.5 (i) It was observed that Company has Shown **₹229.04 Lakh (previous year₹ 314.84 Lakh)** in A/c Code 28.860 & 28.861 as commitment Advance. This advance was given in year 2009 and the same was not adjusted till the finalization of audit. Balance Confirmation of same was not provided to us for verification. In our opinion the Advances are overstated to the extent of above and provision for doubt full advance is required.	**(i)** The Govt. of HP has decided to pay commitment advance for temporary infusion as equity in the SPV accordingly an advance amount to Rs.1.00 crore and 45.00 Lac was paid to Mega Power Project Orissa and Tatiya Andhra Mega Power Ltd. respectively. The preliminary survey& Investigation work of Mega Power project 100 MW allotted to M/s Sakhigopal power company is in progress and amount paid as commitment advance can be recovered from selected developers at the time of transfer of special purpose vehicles to successful bidder and progress achieved against site investigation etc is being obtained from above cited company by the HPSEBL regularly. In addition to above in regard commitment advance paid to M/s Tatiya Andhra power ltd. it is intimated that Govt of Andhra Pradesh has decided to close the subject cited project for one and other reason and an expenditure worth Rs. 8.71 Lac has been incurred against above cited project up till now. Amount

	remained unutilized Rs.36.29 Lac along with interest amount shall be recovered from concerned company for which this office has requested C.E(SO&P) HPSEBL Shimla to take up the matter with M/s Tatiya Andhra Power Ltd to refund the commitment advance vide this office letter no-532 dated 07/08/2014 .After obtaining the approval from competent authority the capital expenditure shall be written off . Further it has been intimated by the Project Incharge of M/s TAMPL vide latter dated 12/7/2018 that matter has been taken up with Govt of Andhara Pradesh to release the amount of commitment advance earlier deposited by the sharing State and on the receipt of funds from GOAP amount of commitment advance along with interest will be released to HPSEBL ,Furthermore, matter has recently been taken up with the Executive Vice President Consulting PFC Ltd vide Chief Engineer (SO) HPSEBL Shimla office letter No 632-33 dated 4.7.2020.However point regarding making provision for doubt full advance it is intimated that above amount is realizable from TAMPL and can not be considered as doubt full debt please.
(ii) Interest on Advance to Subsidiary It was observed that an amount of **₹ 60,923.84** (previous year **₹53,664.71**Lakh) appeared as Loan to Subsidiary in A/c Code 20.330. The terms and condition for advance given to subsidiaries has not been finalized. Interest at average rate of finance to the company has been booked in the accounts.	(ii) It is submitted that BVPCL is subsidiary Company of the HPSEBL. HPSEBL is making payment of capital works of Uhl-III HEP and interest is being charged on the advance with BVPCL. The interest accrued on the amount of advance paid to BVPCL has been shown in other income refer to Note No 2.29 in separate G/l accounts. The Auditor has repeated pointing out this para on the bases of last year audit reports. Hence

	version of the Auditors that interest on loan was squared up with expenses is not acceptable and para may be dropped.
4) Other Non Current Assets- Note 2.7	
i) Advances to Supplies/ Contractors (Capital)	
The Company is showing a sum of **₹ 910.00 Lakh** (Previous year **₹802.56Lakh**) as advances to supplier and contractors as on **31st March 2021**.Contractor ledgers need be maintained and reconciled and subject to reconciliation.	i) The balances were under reconciliation due to implementation of SAP and contractor ledger's are available with units. The concerned units clear the advance payment from time to time. Hence para dropped.
(ii) Loans and Advances to staff (Interest Bearing)	
(a) It has been observed that the individual divisions does not have the complete record of the loan sanctioned and amount recovered from the employees and it has been explained to us that the same is being reconciled and kept at head office level in the broad sheets of the employees.	(ii) (a) The head office has prepared complete records of loan and advance to staff i.e. House Building Advance, Scooter / Car advance in the Broad Sheet Section of this office. The employee wise details of above advance are available which are tallied with the accounts. Hence, para may be dropped.
(b) It was observed that in the following cases amount of Interest and principal is recoverable from the staff members for past many years. The Company Should make efforts to recover the amount at the earliest.	(b) Statement of facts, hence no comments. However, the Company is making efforts to recover the same.

ACCOUNT NO	NAME OF EMPLOYEE	DESIGNATION	PLACE OF POSTING	TYPE OF LOAN / ADVANCES	O/S AMOUNT(RS.)	MONTH OF LAST INSTT.	REMARKS
R-21	Rajinder Gupta	Aee	Ce (Mm) Shimla	Vehicle Loan	1,48,578.00	July,2005	Retiring On 31/08/2020
R-21	Rajinder Gupta	Aee	Ce (Mm) Shimla	HBA	5,14,103.00	April,2007	Retiring On 31/08/2020
Ha-64	Hari Singh	Sr.Astt.	Elec.Div, D/Shala	HBA	22,097.00	Feb, 2008	________
Ja-24	Jaswant Singh	Dm	Board Sectt.	HBA	43,833.00	March,2016	Retiring On31/10/2022
La-52	Lekh Ram	Foreman	Elec.Div-Bilaspur	HBA	14,889.00	Oct,2008	Expired On 19/10/2008
La-28	Lekh Ram	Sr.Astt.	Elec.Div-Bilaspur	HBA	25,990.00	March,2008	Retired On 31/05/2016
Ma-90	Manohar Lal Sharma	Dm	Elec.Div-Una	HBA	35,425.00		Retired On 31/12/2012
Ma-74	Mehar Singh		Elec.Div-Rampur	HBA	34,741.00		Retired On 31/02/2011
R-95	Ram Chand Thakur	Ae	___	HBA	58,685.00		Retired On 31/08/2013
			TOTAL		8,98,341.00		

(iii) It has further been observed that when an employee is transferred from one Division to other division his account is not transferred to the other division though ATD and as such partial accounts are being kept at different divisions on account of loan sanctioned and recovery made at different divisions.

iv) Assets not in use

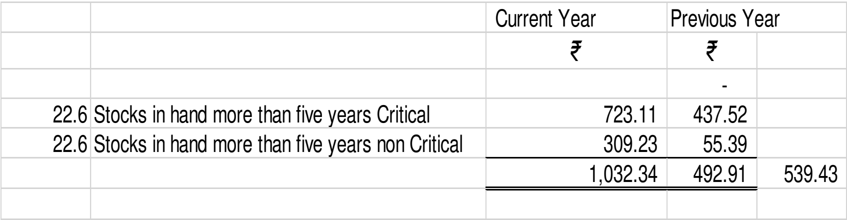
The company is showing **₹310.07** Lakh (Previous year **₹331.39Lakh**) as assets not in use as at **31st March 2021**. In our opinion the above assets has completed their use full life and will not help in generating any further revenue and should be charged to revenue. Thus other noncurrent assets and Income are overstated to the above extent. (Refer Note 2.33 (B) (3).

iii) The Outstanding balances of employee HBA and Car loan are available with HO and remaining advance to employee are available with Divisions.

(iv) It is submitted that amount shown under this head is written down value of obsolete/ scrapped assets. The accounts shall be closed in respect of particulars assets after write off/ sale. This is a continuous process and amount in this head is regularly written off after obtaining the approval of competent authority as per procedure prescribed by the Company. In view of above, we not agree with the version of auditor.

v) Expenditure on Survey/ Feasibility Studies Projects not yet sanctioned. The above account code shows a sum of **₹8,199.40** Lakh (previous year **₹8,190.50 Lakh**) incurred on account of Expenditure on Survey/ Feasibility Studies Projects not yet sanctioned as at **31st March 2021**. As informed to us these are recoverable from the parties to whom the projects will be allotted & in case projects allotted to HPSEBL then the amount will be transferred to CWIP. It has been observed that some of the units has been allotted to the parties however the amount recoverable from the allotted units has not been transferred to the recoverable head. In the absence of information we are unable to comment on the same.	v) As per the accounting policy in vogue, the expenditure on preliminary survey and investigation of new project not yet sanctioned is charged to this account and when the project is sanctioned/ allotted this expense is recovered from IPPs/ capitalized as the case may be. The projects pointed out by the audit have not yet been allotted to any agency by the Govt. however, the detail is being scrutinized for appropriate action, if any.
5 Inventories - Note 2.8 (i) No details of inventories has been compiled at HO the balance shown in Balance sheet is as per Trial Balance complied by the HO .There is no system of comparing/reconciling quantitative records with financial records nether at unit level nor at circle / HO level. (ii) As reported by previous auditors ,the Company has been transferred with stocks of the erstwhile Board which have been purchased in earlier years and the same has not been used till the close of the year and the same has resulted in over stocking of the stocks and pilling up of the stocks at Divisions level. The details provided does not contain the details of all the divisions.	(i) It is submitted that Chief Engineer (MM) is State Purchase Officer and demand of stock, inventory/ quantitative detail of inventories lying in the units are being examined by his office. The records related to quantities of inventory duly reconciled with financial records is available in every Store locations of Divisions. Hence para may be dropped please. (ii) Efforts are being taken for the settlement of these balances and most of the balances have been settled during the current financial year. It is further submitted that stock lying in various Divisions shown under this head is not more than five years and is useful and can be used at any time in the Company. Hence, para may be settled.

The Quantification has been made on the basis of the information provided by the company till the date of the audit



		Current Year	Previous Year	
		₹	₹	
			-	
22.6	Stocks in hand more than five years Critical	723.11	437.52	
22.6	Stocks in hand more than five years non Critical	309.23	55.39	
		1,032.34	492.91	539.43

In our opinion the inventories are overstated to the extent of **₹309.23** Lakh (previous year**₹ 55.39** Lakh) for which no provisions has been made in the books of accounts. However ,to verify these figures Management does not have records in favour or against the qualification.

(iii) The Kangra Electrical Circle is showing the value of the CFL stocks in the stock record which has been written off by the company amounting to ₹30.20 Lacs(previous year₹ 36.16 Lacs) . In our opinion the inventories are overstated to the extent of above.	(iii) In this regards, the necessary ratification entry of the same will be done in the next financial year hence para may be dropped please.
(iv) The M and T Circle is showing Damaged Transformers amounting to ₹ 301.68 lacs Previous Year ₹ 311.53 lacs) whose value has to be taken as Nil as the Transformers are damaged and the net realisable value is Nil. Thus the Stocks are overstated to the extent of above.	(iv) Statement of facts. The procedure for accountal the damaged transformers with value is in the final stage in SAP ERP due to which problem is being faced, However, the correction in the system will be completed in due course of time.
(v) Inventories- Scrap/ other material/ excess/ shortages The Company has shown the following under the head	v) In reply to this para, it is submitted that amount shown

<table>
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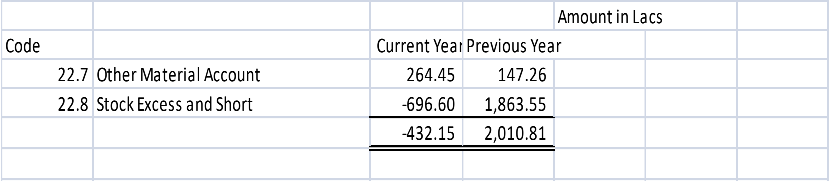
<td>
<p>Inventory for which no provision has been accounted for in the books of accounts:-</p>

<table>
<tr><td></td><td></td><td></td><td>Amount in Lacs</td></tr>
<tr><td>Code</td><td></td><td>Current Year</td><td>Previous Year</td></tr>
<tr><td>22.7</td><td>Other Material Account</td><td>264.45</td><td>147.26</td></tr>
<tr><td>22.8</td><td>Stock Excess and Short</td><td>-696.60</td><td>1,863.55</td></tr>
<tr><td></td><td></td><td>-432.15</td><td>2,010.81</td></tr>
</table>
<p>In our opinion the inventories are understated to the extent of above.</p>
</td>
<td>
<p>under this head pending for investigation in various units of the Company and reports of competent authority are awaited. The same has been regulated as per accounting policies of the Company and cost incurred on retirement, scrapping and sales of assets is charged to revenue account in the year in which cost is incurred.</p>
</td>
</tr>
<tr>
<td>
<p>vi) GR /IR Clearing Sap Code 2220000</p>
<p>It has been observed that the above head shows credit balance in go live accounting units amounting to ₹ 10,812.75 lacs(previous year ₹ 17,742.06 lacs). The Correction entry for the same is posted at Head Office level by transferring the same to the Sundry creditors accounts.
No sufficient information and explanations in respect of the same has been produced for our verification by the accounting units and Head office. In the absence of the information we are unable to comment on the same.</p>
</td>
<td>
<p>(vi) Efforts are being made to clear the SAP code 2220000 in the current financial year please.</p>
</td>
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<td>
<p>vii) Shortage of stocks</p>
<p>The following operation circles has shown shortage of the stocks at the close of the year which is on account of difference in books and stock ledger kept by the stores.</p>
</td>
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<p>(vii & viii) It is submitted that the difference in book ledger and stock ledger arises due pending entries in SAP/ ERP. Now, now out of 10,19,33,704/- in r/o following circles, a sum of Rs. 8,49,78,886/- has been adjusted ending September 2021 and remaining amount to the tune of Rs. 1,69,54,818/- will be adjusted in due course of time. Hence para may be dropped please.</p>
</td>
</tr>
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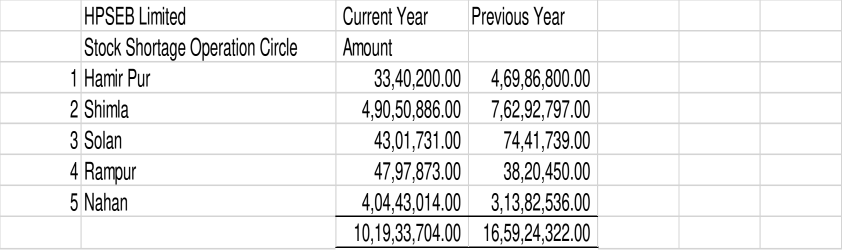
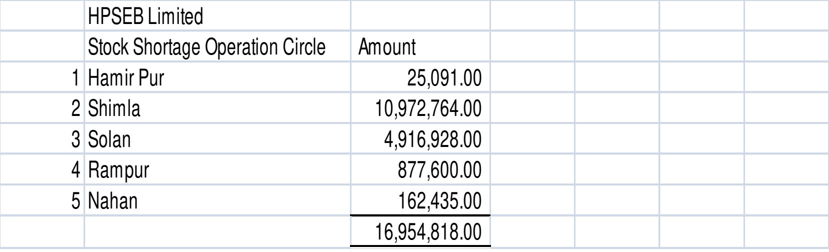


	HPSEB Limited	Current Year	Previous Year
	Stock Shortage Operation Circle	Amount	
1	Hamir Pur	33,40,200.00	4,69,86,800.00
2	Shimla	4,90,50,886.00	7,62,92,797.00
3	Solan	43,01,731.00	74,41,739.00
4	Rampur	47,97,873.00	38,20,450.00
5	Nahan	4,04,43,014.00	3,13,82,536.00
		10,19,33,704.00	16,59,24,322.00

Thus in our opinion the stocks are overstated to the extent of above.

Balance ending September 2021 is appended as under:-



	HPSEB Limited	
	Stock Shortage Operation Circle	Amount
1	Hamir Pur	25,091.00
2	Shimla	10,972,764.00
3	Solan	4,916,928.00
4	Rampur	877,600.00
5	Nahan	162,435.00
		16,954,818.00

(viii) It has been found that there is no systematic accounting of stocks in this account heads and some divisions has not made distinctions between the stocks of stores and other materials and it has been observed that in some cases the office equipment stocks and other office equipment has also been included in the above head which should have been part of the fixed assets. In the absence of sufficient information we are unable to comment on the overstatement of inventories.

ix) The Company has not provided details in respect of inventories, which are of current and noncurrent nature. In the absence of information, we are unable to comment on the current and noncurrent portion of inventories.

ix) It is submitted that the details in respect of inventories, which are of current and noncurrent in nature are being prepared at unit level from the current financial year. Hence para may be dropped please.

x) Physical verification reports of the inventories were not provided to us for verification at division/ subdivision level. In the absence of physical verification reports the balance of inventories are subject to confirmation. There is no system prevalent in the company to identify the obsolete Stock; company has not shown any loss by theft or natural calamity in stock. The System of reporting theft of Stock at the division level to H.O and its

x) Now, the physical verification reports of inventories have been shown. Hence para may be dropped.

treatment in the accounts is not clearly specified. In the absence of complete information, its impact on profit / Loss could not be ascertained.	
xi) The Company has not shown the spares of the Turbines under Property Plant and Equipment as per the requirements of the IND As.	xi) The spares of the Turbines have been shown in spares under GL- 22 without value as per policy of the company. Hence para may be dropped please.
xii) The company recognizes capital spares as PPE and other spares as inventory based on predefined code system and not in accordance with requirement of Ind AS – 2 'Inventories' and Ind – AS 16 'Property, Plant and Equipment'. The effect of such non-compliance of Ind AS - 2 and Ind AS -16 is not ascertainable.	xii) Capital Spares & other spares has been maintained as per Company policy.
xiii) During the course of audit it has been observed that the some of the Divisions of the operation circles are showing the dismantled Transformers in their inventories and the same has not been written off from the inventory details. In the absence of complete information provided to us we are unable to comment on the same.	xiii) In the reply of para it is submitted that the necessary rectification entry will be made in the current financial year.
6 Trade Receivables (Note 2.10) **(i)** The Company has shown trade receivables from consumers and others under this head amounting to **₹40,104.61 Lakh (previous year₹58,022.75Lakh**) are subject to confirmation & reconciliation.	i) The amount shown recoverable from consumers is against supply of power which will be realized within current period. Sufficient information is available with the operation Divisions/ Sub Divisions of the Company and the amount shown under current period is in order. Hence, para may be dropped.
ii) Court Cases by Consumers As explained by the company the erstwhile Board/Company has billed to industrial / Large	ii) The impact of the court cases is being worked out now and the provision of the same will be made in the

<table>
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<td>
consumers of following operation circle
<table>
<tr><th></th><th>Operation Circle</th><th>Amount</th><th>lacs</th></tr>
<tr><td>1</td><td>Nahan</td><td>1,110.62</td><td></td></tr>
<tr><td>2</td><td>Solan</td><td>2,145.00</td><td></td></tr>
<tr><td>3</td><td>Kullu</td><td>162.00</td><td></td></tr>
<tr><td>4</td><td>Una</td><td>236.00</td><td></td></tr>
<tr><td>5</td><td>Kangra</td><td>102.97</td><td></td></tr>
<tr><td></td><td></td><td>3,756.59</td><td></td></tr>
</table>
The consumer had filed suits against the same and recovery had been stopped by the courts. No provision for the amount doubtful of recovery has been made in the books of accounts. In our opinion the expenditure is understated to the extent of above.
</td>
<td>current year. Hence para may be dropped.</td>
</tr>
<tr>
<td>
(iii) The Hamirpur Electrical Division is showing the following amounts as recoverable on account of OM Charges which has not been recovered till date:-
<table>
<tr><th></th><th>Particulars</th><th>Amount</th></tr>
<tr><td>1</td><td>Power Grid</td><td>1,96,08,261.00</td></tr>
<tr><td>2</td><td>Asta Project</td><td>13,85,077.00</td></tr>
<tr><td>3</td><td>Anubhav Hydro pow</td><td>57,21,253.00</td></tr>
<tr><td>4</td><td>Om Hydro projects</td><td>1,56,02,585.00</td></tr>
<tr><td></td><td></td><td>4,23,17,176.00</td></tr>
</table>
The amount has not been recovered since long hence provision for the same is required. Thus Trade receivables on account O and M charges are overstated to the extent of above.
</td>
<td>iii) In reply to the para, it is submitted that recoverable amount to the tune of Rs. 423,17,176/- on account of O&M Charges will be recovered from the concerned Firms during current FY 2021-22. Hence para may be dropped please.</td>
</tr>
</table>

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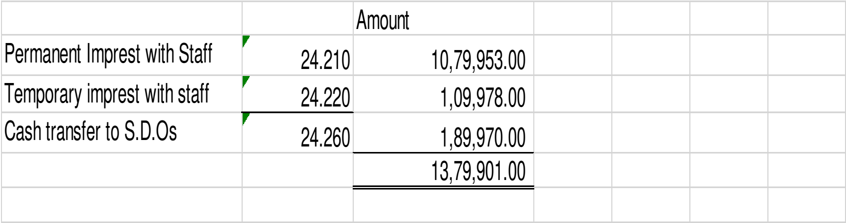
<tr>
<td>7 Financial Assets – Cash and Cash Equivalents Note 2.11

(i) The Kullu Operation circle is showing cash in hand as on 31st March 2021 amounting to ₹ 184.61 lacs which is of non existence nature and the same has arisen due to non reconciliation of cash and bank accounts in SAP. The Head Office has made adjustment in the adjustment account at the close of the year.

(ii) The Palampur Division of Kangra Circles is showing cash in hand in excess of ₹ 1.80 lacs which is of non existence nature and has to be written off. Thus cash in hand is overstated to the extent of above.

(iii) Imprest in hand
The following accounts has not been adjusted by the operation circles which has been migrated in SAP during the year . In our opinion the expenditure are understated to the extent of above.


<table>
<tr><th></th><th></th><th>Amount</th></tr>
<tr><td>Permanent Imprest with Staff</td><td>24.210</td><td>10,79,953.00</td></tr>
<tr><td>Temporary imprest with staff</td><td>24.220</td><td>1,09,978.00</td></tr>
<tr><td>Cash transfer to S.D.Os</td><td>24.260</td><td>1,89,970.00</td></tr>
<tr><td></td><td></td><td>13,79,901.00</td></tr>
</table>
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<td>

i) The entry will be rectified during the FY 2021-22 accounts, para may be dropped.

ii) The entry will be rectified during the FY 2021-22 accounts, para may be dropped.

iii) The entry will be rectified during the FY 2021-22 accounts, para may be dropped.</td>
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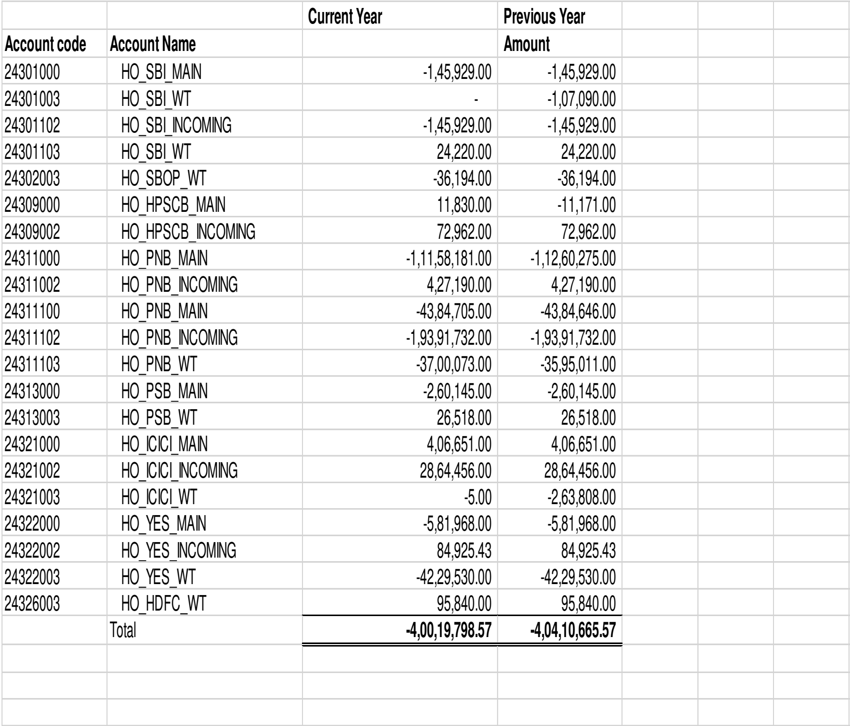
<tr>
<td>8 Financial Assets – Bank Balances other then Cash and Cash Equivalents 2.12

(i) The Operation circles is showing the following Bank balances in SAP which are of non existing nature</td>
<td>

i) These balances are being rectified during the current financial year.</td>
</tr>
</table>

and bank statements / bank reconciliation statements in respect of the same has been shown for our verification. In our opinion the bank balances are understated to the extent of above.



		Current Year	Previous Year
Account code	Account Name		Amount
24301000	HO_SBI_MAIN	-1,45,929.00	-1,45,929.00
24301003	HO_SBI_WT	-	-1,07,090.00
24301102	HO_SBI_INCOMING	-1,45,929.00	-1,45,929.00
24301103	HO_SBI_WT	24,220.00	24,220.00
24302003	HO_SBOP_WT	-36,194.00	-36,194.00
24309000	HO_HPSCB_MAIN	11,830.00	-11,171.00
24309002	HO_HPSCB_INCOMING	72,962.00	72,962.00
24311000	HO_PNB_MAIN	-1,11,58,181.00	-1,12,60,275.00
24311002	HO_PNB_INCOMING	4,27,190.00	4,27,190.00
24311100	HO_PNB_MAIN	-43,84,705.00	-43,84,646.00
24311102	HO_PNB_INCOMING	-1,93,91,732.00	-1,93,91,732.00
24311103	HO_PNB_WT	-37,00,073.00	-35,95,011.00
24313000	HO_PSB_MAIN	-2,60,145.00	-2,60,145.00
24313003	HO_PSB_WT	26,518.00	26,518.00
24321000	HO_ICICI_MAIN	4,06,651.00	4,06,651.00
24321002	HO_ICICI_INCOMING	28,64,456.00	28,64,456.00
24321003	HO_ICICI_WT	-5.00	-2,63,808.00
24322000	HO_YES_MAIN	-5,81,968.00	-5,81,968.00
24322002	HO_YES_INCOMING	84,925.43	84,925.43
24322003	HO_YES_WT	-42,29,530.00	-42,29,530.00
24326003	HO_HDFC_WT	95,840.00	95,840.00
	Total	**-4,00,19,798.57**	**-4,04,10,665.57**

(ii)The Operation circles are showing the negative balances in the Bank accounts which has resulted due to the fact that the balance received in the bank accounts has been remitted to the Head Office at the close of the year and the respective divisions has not accounted for the receipts from the consumers in the bank for non availability of the details of the consumers who has remitted the amount. The following is the summary of the Bank Reconciliation of the all the

ii) These balances are being rectified during the current financial year.

Operation circle submitted to us:-

		Current Year	Previous Year
1	Balance as per our books.No-27	-44,71,72,520.11	**-60,78,24,128.50**
2	Less amount deposited but not credited by Bank as per Form -24.	5,62,15,514.25	**5,93,38,245.62**
3	Less amount credited less by the Bank.	-78,59,556.00	**-43,762.30**
4	Less Bank Charges on consumers cheques levied by Bank as per	139.20	**1,064.00**
5	Less amounts debited by Bank but not accepted.	2,304.08	**150.58**
6	Add amounts credited by Bank but pay-in-slips not received as per	71,75,23,501.94	**95,00,13,282.49**
7	Add amounts credited by Bank in excess.	2,19,455.23	**20,039.73**
8	Balance as per Bank Account Statement.	22,27,32,828.57	**28,29,13,495.59**

In Our Opinion the Bank balances are understated to the extent of ₹7,175.23 lacs (Previous Year ₹9,500.13 lacs and sundry Debtors are overstated to that extent.

(iii) The Head office has not properly reconciled the Banks maintained by the company and the unreconciled entries has been shown in the bank reconciliations statements for more then 3 months.

4	Less Bank Charges on consumers cheques levied by Bank as per Annexure		
5	Less amounts debited by Bank but not accepted.		**15,18,56,531.00**
6	Add amounts credited by Bank but pay-in-slips not received as per Form HB-	1,35,27,80,937.00	**1,44,48,81,024.00**
7	Add unindentified amounts lees debited in bank less Debit	9,97,42,213.00	**8,79,70,710.00**
8	Add Cheques issued but not presented to the bank for Collection	80,29,21,137.00	**54,11,30,139.49**
	Balance as per Bank Account Statement.	**1,87,99,62,053.36**	**1,92,55,29,463.39**
		-82,40,31,883.27	
	less 3 month cheques	71,49,16,749.00	-73,60,27,495.27
	diffeence	8,80,04,388.00	

In our opinion the Bank Balances are understated to the extant of ₹ 7,360.27 lacs after considering the three months cheques not presented to payments till the close of the year. The income is also understated to the extent

iii) These balances are being rectified during the current financial year.

of above as the company has not shown to our verification that the amount has been claimed by debtors/ creditors. (iv) It has been observed that the head office is showing very old entries in the Bank reconciliation statements as pending. In our opinion the same should be reconciled as the such pendency will result in fraud area of concern and will have financial effect on the working capital of the company.	iv) Efforts are being made to rectify these old balances during the current financial year.
9) Financial Assets Others -Note 2.14 **(i) Amount recoverable Related Parties** a) **BVPCL (Subsidiary Company) A/c Code 28.761** The Company has incurred expenditure to the tune **of ₹7,122.11 Lakh** (previous year ₹**6,981.40** Lakh) as on 31st March 2021 for which shares has to be issued by the BVPCL. The above balance is subject to reconciliation and confirmation. Loan amount as per holding company is **₹60,923.84** Lakh while loan as per subsidiary is **₹65,577.70**Lakh. **b) Amount Recoverable Himachal Pradesh Power Transmission Corporation Limited A/c code-28.773 and 28.919** The company has shown the following amount as recoverable from the HPTCL (**Himachal Pradesh Power Transmission Corporation Limited**) under the following account code.	(i)a) It is submitted that the Company has provided complete year wise supporting documents/information against the expenditure incurred by the Units on a/c of electric component of Uhl Project (BVPCL). The detail has been provided to the Auditor during the course of Audit by the concerned field units. Hence, para may be dropped. (i)b) The amount of transmission line transferred to HPPTCL as per scheme has been reconciled with HPPTCL and amount shall be adjusted from receivable and payable to State Govt. after obtaining the approval of State Govt. The point noted for necessary action for appropriate classification in future. Hence, para may be dropped.

		Current Year	Previous Year	Rupees in lacs
28.773	Settlement Account HPTCL	2,996.32	2,996.32	
28.919	Other Deposits	7,408.00	7,408.00	
		10,404.32	10,404.32	

The above amount is subject to reconciliation and confirmation. In the absence of confirmations we are unable to comment on the same. The HPTCL has not accounted for the amount recoverable shown by the company nor the same has been acknowledged by the HPTCL as liability towards the company. The Special secretary (Power) to the GOHP has directed both the companies vide letter dated 22/02/2017 to make adjustment entries in the books of both the company by adjusting with the equity realised by the GOHP in HPSEBL and HPTCL from time to time. No disclosure to the same has been made in the financial statements.

The Company has shown the amount under code 28.773 which is of non current nature and should be transferred to proper Head.

In our opinion as the HPTCL and GOHP is not acknowledging the Liability on account of CWIP costs which has been transferred to the HPTCL suitable provision should be made in the books of accounts. Thus other non current assets are overstated to the extent of above.

The Electrical Systems are showing the following amount recoverable from HPTCL which has not been recovered till the date of the audit also no disclosure of the same

<table>
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has been made in the notes to accounts

<table>
<tr><td></td><td>Account code 23.820</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Una</td><td></td><td>1.07</td><td>crores</td><td></td><td></td></tr>
<tr><td>2</td><td>Nahan</td><td></td><td>3.60</td><td>crores</td><td></td><td></td></tr>
<tr><td>3</td><td>Nalagarh</td><td></td><td>0.95</td><td>crores</td><td></td><td></td></tr>
<tr><td>5</td><td></td><td></td><td>5.62</td><td>crores</td><td></td><td></td></tr>
</table>

ii) Expenses recoverable from Suppliers /Contractors (A/C Code 28.810).

The above head shows a sum of **₹161.42Lakh** (previous year **₹177.44Lakh**) as on **31st March 2021** which is subject to reconciliation and confirmation. In the absence of confirmations we are unable to comment on the same. Sufficient information has not been provided to us for showing the same as current assets.

iii) Inspection charges related to material / equipment third party inspection (A/C Code 28.811).

The above head shows a sum of **₹170.64 Lakh** (previous year **₹111.64 Lakh**) as on **31st March 2021** which is subject to reconciliation and confirmation. In the absence of confirmations we are unable to comment on the same.

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ii) Not agreed with the version of auditor's. The complete details of these expenses are available with all the DDOs of the Company and the amount is regular in nature and is being recovered regularly from concerned parties. Hence, para may be dropped.

(iii) Statements of fact, efforts are being made to reconcile the balances.

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10 Other Current Assets -Note 2.15

Inter Unit Transactions

(i) The company is showing **₹ 32,682.04 Lakh** (previous year **₹6,214.76 Lakh**) on account inter unit transfers and the same has not been reconciled at the end

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(i) The point of the Auditors is noted for compliance. It is also submitted that Inter Unit Transfer (IUT) is a regular process and all accounting Units under HPSEB Ltd have

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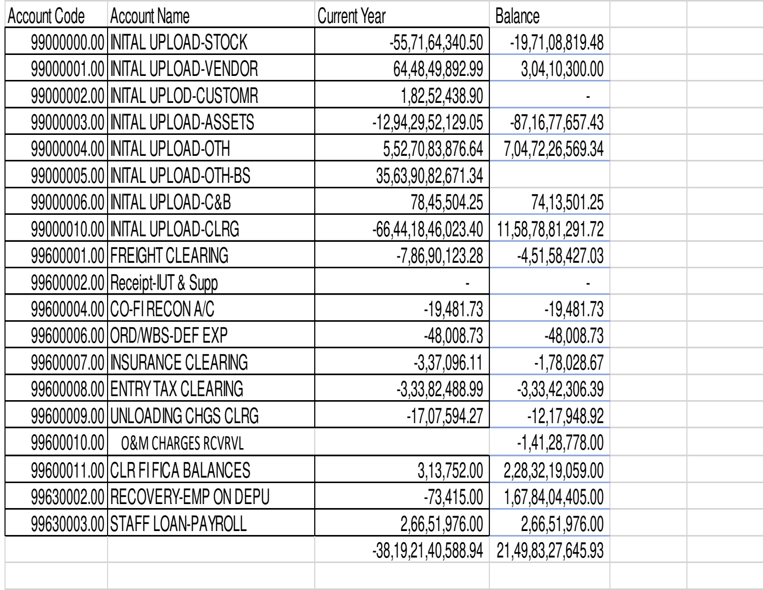
of the year. It has been observed that the above practice of non reconciliation in inter unit accounts is pending since many years and same was not reconciled by the erstwhile Board and even by the Company. In our Opinion inter unit accounts are overstated to the extent of above. (ii) The Company has at the time of migrating the accounts to SAP has shown the following accounts as initial upload which has not been settled till date and no information in respect of the same is available with the accounting units and the same has been clubbed under the Head Inter Unit Transactions. The following are the details of the same.	been directed to reconcile the IUT accounts at earliest and to ensure the balance under IUT should be NIL at the end of financial year. (ii) The process to settle the balances in is process. Hence para may be settle please.

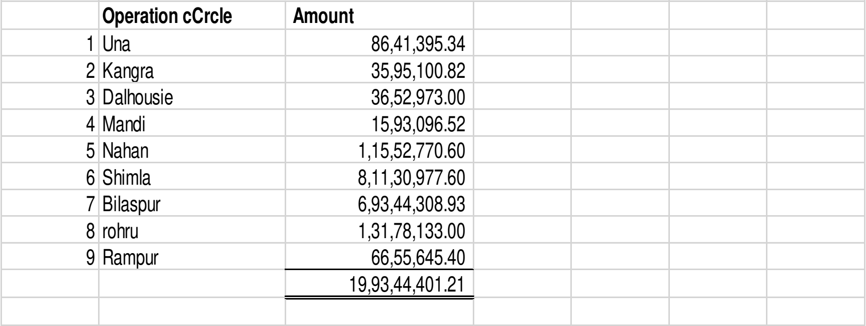


Account Code	Account Name	Current Year	Balance
99000000.00	INITAL UPLOAD-STOCK	-55,71,64,340.50	-19,71,08,819.48
99000001.00	INITAL UPLOAD-VENDOR	64,48,49,892.99	3,04,10,300.00
99000002.00	INITAL UPLOD-CUSTOMR	1,82,52,438.90	-
99000003.00	INITAL UPLOAD-ASSETS	-12,94,29,52,129.05	-87,16,77,657.43
99000004.00	INITAL UPLOAD-OTH	5,52,70,83,876.64	7,04,72,26,569.34
99000005.00	INITAL UPLOAD-OTH-BS	35,63,90,82,671.34	
99000006.00	INITAL UPLOAD-C&B	78,45,504.25	74,13,501.25
99000010.00	INITAL UPLOAD-CLRG	-66,44,18,46,023.40	11,58,78,81,291.72
99600001.00	FREIGHT CLEARING	-7,86,90,123.28	-4,51,58,427.03
99600002.00	Receipt-IUT & Supp	-	-
99600004.00	CO-FI RECON A/C	-19,481.73	-19,481.73
99600006.00	ORD/WBS-DEF EXP	-48,008.73	-48,008.73
99600007.00	INSURANCE CLEARING	-3,37,096.11	-1,78,028.67
99600008.00	ENTRY TAX CLEARING	-3,33,82,488.99	-3,33,42,306.39
99600009.00	UNLOADING CHGS CLRG	-17,07,594.27	-12,17,948.92
99600010.00	O&M CHARGES RCVRVL		-1,41,28,778.00
99600011.00	CLR FI FICA BALANCES	3,13,752.00	2,28,32,19,059.00
99630002.00	RECOVERY-EMP ON DEPU	-73,415.00	1,67,84,04,405.00
99630003.00	STAFF LOAN-PAYROLL	2,66,51,976.00	2,66,51,976.00
		-38,19,21,40,588.94	21,49,83,27,645.93

(iii) The Thalot Division of CE Generation has shown a sum of ₹ 21.89 lacs (previous year ₹ 21.89lacs) recoverable from NHPC since 2011 (BH 28.704) and the same has not been recovered till date. In our opinion the Provision for doubtful for recovery is required . Thus the expenditure is understated to the extent of above.	(iii) It is intimated that the regular correspondence to recover the amount from NHPC is under process. Being a regular vendor of company, the provision for doubtful debts has not been made. We are in the process to recover the amount.
(iv)The Thirot Division of CE Generation has shown encashed bank guarantee of M/s SS JV projects as negative Balance amounting to ₹ 231.12 lacs (previous year ₹ 232.34 lacs) which has to be shown under the head Liabilities. Thus other current assets are understated to the extent of above and the Liabilities are also under stated to that extent.	(iv) It is intimated that the matter of encashment of BG amounting to ₹ 231.12 lacs in respect of M/s SS JV projects is under arbitration. The Company is liable to pay as and when final outcome received from apex court. Hence para may be dropped.

(v) The Thirot Division of CE Generation is showing ₹ 8.25 lacs recoverable from Contractor which has not been recovered since long and no provision for the amount doubtful of recovery has been made . Thus other current assets are overstated to the extent of above .	v) It is intimated that the regular correspondence to recover the amount is under process. Being a regular vendor of company, the provision for doubtful debts has not been made. We are in the process to recover the amount.
(vi) The Binwa Division of CE Generation has shown advance to suppliers as 50 percent advance paid amounting to ₹ 58.67 lakh(previous year ₹ 58.67lacs) in the year 2011 for the cost of the runners. The BG of the supplier has expired and the amount is doubtful of recovery. Thus the expenditure is understated to the extent of above.	(vi) The final decision has been received by the concerned unit from Arbitrator in favor of the company; now process to recover the said amount is in process through Hon'ble High Court, Shimla. As such company making efforts to recover the same, hence the same has not been considered as doubtful debts.
vii) The Jassur Division of the CE Transmission has shown a sum of ₹ 57.21 lacs(previous year ₹ 57.21 lacs)recoverable from Punjab Power Corporation which has not been recovered since Long. In our opinion the Provision for doubtful for recovery is required . Thus the expenditure is understated to the extent of above.	(vii) This recoverable amount has been rectified during the current financial year.
(viii) The Jeori Division of Project Division is showing a sum of ₹ 182 lakhs (previous year ₹ **182** lacs) recoverable from SSJV Ltd. The case is pending with court of law hence provision is required. In our opinion the expenditure is understated to the extent of above.	viii) The accoutal of the pointed out amount is being done in the book of accounts as per the advice of Auditors.
(ix) The Jeori Division of Project Division is showing a sum of ₹ 16 lakhs recoverable HPPCL. The Amount has not been recovered since long hence provision is required.	(ix) It is intimated that the regular correspondence to recover the amount is under process.

In our opinion the expenditure is understated to the extent of above.	
(x) Refer Note no 44 No Provision has been made for the amount doubtful of recovery from the amount recoverable from the LKMS/ Sugam amounting to ₹ 2,204.51 lakhs (previous year ₹ 2,204.51 lacs). Thus Expenditure is understated to the extent of above.	x) Amount is being rectified during current Financial year.
xi)Refer Note no 51 No Provision has been made for the amount doubtful of recovery on account of Commitment advance amounting to ₹ 145 lakh (previous year ₹ 145 lacs) as the projects are not feasible. Thus Expenditure is understated to the extent of above.	xi) Amount is being rectified during current Financial year
xii) The PCA Chamba Division has shown Credit Balance of ₹ 1.83 Lacs on account of recovery made form the contractors. The Other current assets are under stated to the extent of above.	xii) Amount is being rectified during current Financial year
xiii) The PCA Chamba Division has shown a sum of ₹ 26.21 lacs recoverable since many years and the same has not been recovered till date and no provision for the same has been made in the books of accounts. Thus Expenditure is understated to the extent of above.	xiii) The necessary provision will be made during the current Financial Year.
xiv) The Nahan Electric Division has shown a sum of ₹ 31.60 lacs as recoverable from Aravali Power Infra which is pending in the court of law and no provision for the same has been made in the books of accounts. In our	xiv) The necessary provision will be made during the current Financial Year.

<table>
<tr><td>opinion the other current assets are overstated to the extent of above.</td><td></td></tr>
<tr><td>xv) The Operation circles has shown the following amounts as negative balances under the account Code 28813 which has not been transferred to the proper Head at the division level. The Head office has adjusted the whole of the amount by transferring the same to account code 47 without any substantive evidence. The following are the details of the same.

<table>
<tr><th></th><th>Operation cCrcle</th><th>Amount</th></tr>
<tr><td>1</td><td>Una</td><td>86,41,395.34</td></tr>
<tr><td>2</td><td>Kangra</td><td>35,95,100.82</td></tr>
<tr><td>3</td><td>Dalhousie</td><td>36,52,973.00</td></tr>
<tr><td>4</td><td>Mandi</td><td>15,93,096.52</td></tr>
<tr><td>5</td><td>Nahan</td><td>1,15,52,770.60</td></tr>
<tr><td>6</td><td>Shimla</td><td>8,11,30,977.60</td></tr>
<tr><td>7</td><td>Bilaspur</td><td>6,93,44,308.93</td></tr>
<tr><td>8</td><td>rohru</td><td>1,31,78,133.00</td></tr>
<tr><td>9</td><td>Rampur</td><td>66,55,645.40</td></tr>
<tr><td></td><td></td><td>19,93,44,401.21</td></tr>
</table></td><td>xv) Amount is being rectified during current Financial year</td></tr>
<tr><td>xvi) The Rohru division of Rohru operation circle is showing a sum of ₹ 14.49 lacs as credit balance in the account under the head 2877000 for which no details are available. In our opinion the income is understated to the extent of above.</td><td>xvi) The necessary rectification will be made during current Financial Year 2021-22. Hence para may be dropped please.</td></tr>
<tr><td>xvii) The Nalagarh Division of Solan operation circle is showing a sum of ₹ 86.86 lakhs as recoverable under the head under account Code 28872. The amount has not been recovered since many years and thus provision for the same is required. In our opinion the amount recoverable is overstated to the extent of above.</td><td>xvii) Efforts are being made to recover the amount. Hence para may be dropped please.</td></tr>
</table>

(xviii)The Nahan Division of Nahan operation circle is showing a sum of ₹ 67.15 lakhs as recoverable under the head under account Code 28810. The amount has not been recovered since many years and thus provision for the same is required. In our opinion the amount recoverable is overstated to the extent of above.	xviii) Efforts are being made to recover the amount. Hence para may be dropped please.
(xix)The Theog Division of Shimla operation circle is showing a sum of ₹22.10 lakhs as recoverable under account Code 28810. The amount has not been recovered since many years and thus provision for the same is required. In our opinion the amount recoverable is overstated to the extent of above.	xix) Efforts are being made to recover the amount. Hence para may be dropped please.
(xx) **Advances to Contractors and Suppliers: No** sub ledger has been made available to us.	**xx)** In the reply of para it is intimated that the sub-ledger is available at each filed unit level and version of the auditor is not acceptable. Hence para me be dropped please.
(xxi) The company showed **₹604.96 Lakh** (**Previous year ₹516.55 Lakh**) as loans and advances for supplies / works. The above advances also include advances which are old and require adjustments as the works has been completed at the close of the year and expenditure has not been booked. The company has not provided us any confirmations from the Parties for the amount due as such we are unable to comment on the above advances. The above advances have been shown as secured but no sufficient information in respect of the same has been provided. No Information in respect of noncurrent portion of advances has been shown for our verification.	xxi) In reply to the para, it is submitted that detail of advances given to suppliers/ contractors has been made by the concerned executing authorities. Hence the version of the audit is not acceptable.

(xxii) The Company is showing a sum of ₹ 32.31 lacs as amount recoverable pending theft and investigation. No Provision for the same has been provided in the books of accounts. Thus other Current Assests are overstated to the extent of above.	xxii) In this regard it is submitted that pending theft and investigation recoverable amount will be write off/ set righted after the receipt of sanction from competent authorities when material found untraceable and then the provision of the same be made in the books of accounts. Hence version of the audit is not acceptable.
11 Other Equity Note No 2.17 The Capital Reserve according to Ind AS has to be shown under the head current Liabilities. Thus Other Equity is overstated to the extent of **₹1,212.05** lacs and similarly the non current liabilities are also under stated to that extent.	Will be rectified during current year.
12 **Non Current Liabilities- Financial Liabilities- Borrowings (Note 2.18)** **(i) Loans under APDRP Schemes Part A and B** (a) The company has taken loans from APDRP (Part A) scheme amounting to ₹2,648.16 Lakh (previous year ₹ 2,648.16 Lakh) towards 100% financing of its approved projects which is subject to a condition requiring that projects to be completed within five years (extended up to 30th September 2017) of the awards with 100% conversion of loan along with interest into grant else otherwise the same will be treated as loans and interest will be paid on them. Please refer Note no 9 which states that the PFC is not charging the interest and nor demanding the repayment of the principal since 2020-21 and till date no demand has been made by the PFC we are of the opinion that the sufficient compliance for converting the loan into Government Grant has been made .	12(i) (a) In this context, it is submitted that Company has availed loan of Rs. 87.10cr under the RAPDRP-A Scheme and the outstanding balance of the scheme as of 31.03.2020 was Rs 26.48 Cr. Further, PFC Limited is showing the said amount as loan as per the balance confirmation certificate as of 31.03.2021.Moreover, the said grant is initially offered as grant and shall be converted after meeting certain criteria and closure of the scheme does not guarantee the conversion of the said loan into grant. Therefore, the same has been shown as loan and will be recognized as loan till the same is converted into grant by the GoI.

Para 7 and 8 of the IND AS-20 **Accounting for Government Grants and Disclosures thereof** which states that: - ***"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:*** ***(a) the entity will comply with the conditions attaching to them; and*** ***(b) the grants will be received.*** ***8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."*** In our opinion the sufficient compliance for getting the assistance has been done by the company and the loan should be treated as Government Grant as per the requirement of Ind As 20. Thus Grants are understated to the extent of above and similarly the loans are also overstated to that extent.	In this context, it is submitted that Company has received the loan with the condition from the Govt as per notification of GOI. The loan amount shall be converted into grants when the other terms and condition are achieved in the specific time period. As and when the schemes are closed and GOI/ FI allow to convert the amount into grants, necessary accounting adjustment shall be made in specific year. Hence para may be dropped.
(b) The company has taken loans from APDRP (Part B) scheme amounting to **₹ 19,702.15 Lakh** (previous year **₹ 19,645.27** Lakh) towards 100% financing of its approved projects which is subject to a condition requiring that projects to be completed within five years (extended up 31.03 2018) of the awards with 100% conversion of loan along with interest into grant else otherwise the same will be treated as loans and interest will be paid on them. Refer Note No where in it is stated	(b) Statement of the facts, hence no comments.

that the formal request to convert the loan into grant has been made by the company.	
(c) The sanction letter stipulates the moratorium of principal and interest during moratorium period. The Company has made provision for the interest on loan amounting to **₹10,836.70 Lakh (P.Y ₹11,279.89 Lakh)** in the books of account on provisional basis up to 31st March 2021 and the same is subject to confirmation.	(c) Statement of facts.
(ii) Loans under ADB though GOHP Scheme The Company has taken loan under the scheme from the state Government under ADB Loan amounting to **₹1,289.77 Lakh** (previous year**₹1,289.77 Lakh**). As informed by management the government has not yet provided the terms and conditions of the loan and the payment of interest there on. The Impact of government assistance in the nature of interest less then market rate since the inception of the loan has not been accounted for as per the IND As 20. No information in respect of the same has provided to us.	ii) It is submitted that the loan availed from ADB through State Government is being charged at 9% which is more or less is in line with the market rate and therefore there is no need to recognize the government assistance.
(iii) Uday Loan We invite attention to Note No 41 where in it is stated that the State Government has transferred the proceeds of the Uday Bond to the company at average rate of interest 7.85 %. The Company has not accounted for the Government Assistance on account of difference in the interest rates in the Market and Uday Bond rate. The Note further states that the company is making annual savings of ₹ 91.32 crore and a total saving of ₹ 365.28 crore has been received by the Company as revenue grant from government which has not been accounted for in the books of accounts as per IND As	(iii) It is submitted that the Company has shown sufficient disclosure of the tentative savings of the loan restructured under UDAY scheme. Further, Company recognize the Govt. loans strictly as per the terms and conditions decided by the State Govt.

20. In our opinion interest paid and revenue grant is understated to the extent of ₹ 91.32 crore during the year under review. (v) **Loan under RGGVY and APRDP State Government Loan** Refer Note No 9 which states that the loan amounting to ₹ 1910.77 lacs will be converted by the State Government into equity under the FRP Schemes. The Company is not charging the interest on the loan. In our opinion the interest at market rate should be charged in the nature of Government Assistance as per IND As 20. Thus in our opinion a sum of ₹ 152.86 lacs has been less charged on the basis of 8 % average coupon rate and total saving of ₹ 305.72 lacs for the year 2019-20 and 2020-21 . Similarly Government grant is also understated to that extent. The details regarding the benefit of interest to the company in earlier years and its affect on the amortisation of the grant has not been provided us. In the absence of information we are unable to comment on the same.	**(v)** It is submitted that the said loan of Rs.19.11 Cr(RGGVY Rs5.00 Cr and APDRP Rs14.11 Cr) was given without any terms and condition. Further, State govt. vide letter no.MPP-C(3)-8/88-III dated 29.01.2014have agreed to convert the said amount into equity or to defer the same till repayment of the loans under FRP Scheme. Further, the restructured loans under FRP have been further restructured under UDAY scheme. However, Company is requesting the State Govt. to convert the said amount into equity through budget demands. Further, Company recognize the Govt. loans strictly as per the terms and conditions decided by the State Govt.
13 Non Current Liabilities- Financial Liabilities -Other Financial Liabilities (Note 2.19) **(i) Deposits, Retention Money from Contractors and Others** We report that, an amount of **₹ 12,722.52 Lakh**(previous year ₹**9,744.12 Lakh**) appeared as Deposit in Shape of Deposits, Retention Money from Contractors and others Accompanying schedules and details in Sub ledgers for the same was not provided to us. These Balances are subject to confirmation and reconciliation at Divisions	i) The relevant record of customer-wise Security Deposit, retention Money and interest payable thereon is available in Operation Circle/ Sub Divisions of the Company. As regards confirmation of balances outstanding, the Units have been directed to reconcile the outstanding balances, subsidiary records of security deposit & retention Money with the concerned parties.

and Unit level. In the absence of complete information we are unable to comment on the Current and Non Current Portion of these deposits and Retention Money. Internal Controls in respect of such deposits seems weak and Subsidiary records to verify the same were inadequate at unit levels.	
14 Non Current Liabilities- Financial Liabilities -Provisions (Note 2.20) **(i) Leave Salary Payable** The Company has not made provision of Leave salary payable to present employees as per the requirements of IND- **AS 19- Accounting for Employees Benefits .** As explained by the Company the estimated liability on account of leave salary at end of the year **is ₹29,215.45 Lakh** (**P.Y ₹30,365.25Lakh**) against which the company has created reserve fund of **₹ 8,212.04 Lakh. (₹ 7,200.13 Lakh)** .Thus in our opinion the long term provisions are understated and expenditure is overstated to the extent of **₹21,003.41Lakh** (P.Y **₹23,165.12Lakh**).**No certificate from actuarial** taken, amount is as per management Estimate. **(ii) Gratuity Payable to Employees** The Company has not made provision of gratuity payable to present employees as per the requirements of IND- **AS19- Accounting for Employees Benefits .** As explained by the Company the estimated liability on account of gratuity at end of the year is **₹47,259.04 Lakh** (previous year ₹**54,657.15**Lakh) against which the company has created provision of ₹11211.31 Lakh (previous year ₹9791.32Lakh) . Thus in our opinion the long term provisions are understated to the extent of	(i) The company had made provision @2% from FY 2013-14 onwards as per requirement of IND-AS19 and at the end of the year Rs. **29,215.45** Lac had been provided (ii)The company had made provision @2% from FY 2013-14 onwards as per requirement of AS-AS19 and at the end of the year an amount of Rs. **47,259.04** Lac had been provided.

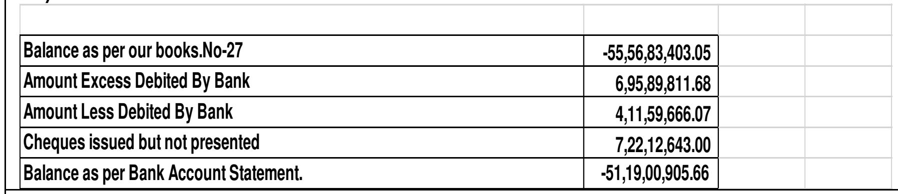
₹36047.73 Lakh (previous year ₹44,865.83Lakh.) **No certificate from actuarial** taken, amount is as per management Estimate. **(iii) Pension Payable to Employees** The Company has not made provision of pension payable to present employees as per the requirements of IND- **AS19- Accounting for Employees Benefits .** As explained by the Company The estimated liability on account of Pension at end of the year is **₹ 107,042.15** Lakh (Previous Year **₹125,072.64 lacs**) against which the company has created provision of **₹9,052.49 Lakh** (**Previous Year ₹7,920.93Lakh) .**Thus in our opinion the long term provisions are understated & profit overstated / loss understated. to the extent of **₹97,989.66Lakh (Previous year₹117,151.71Lakh)** .**No certificate from actuarial** taken, amount is as per management Estimate.	(iii) The company had made provision @2% from FY 2013-14 onwards as per requirement of AS-AS19 and at the end of the year an amount of Rs.**107042.15** Lac had been provided.
15 Non Current Liabilities- Financial Liabilities -Other non current Liabilities (Note 2.21) i) **Capital Reserves/Capital Grants from GOHP & GOI** (a) During the year under review the Company has **Amortized ₹9,858.08 lakh (Previous Year 8935.85 lakh)** on the assets created from Government Grants and Consumer Contribution. The Amount of Amortization has been arrived at after applying the Depreciation Rates on the cost of such assets on yearly basis as per the accounting policy on depreciation refer Note The Company has no system in Place where the assets can be identified as if these were created from	Statement of the facts, hence no comments. In reply to this para, it is submitted that sufficient detail of

Government Grants / Consumer Contribution. There is no Fixed Assets Register from where the cost of these assets along with date of it being put to use can be verified. The company has arrived at the cost of these assets on Adhoc basis where it has capitalized the Grant received to particular year in which it was received without verifying the actual creation of the assets and without having sufficient records to verify the actual cost of bringing the asset to use along with the date of it being put to use. It was also observed that in many Divisions the amount of Consumer Deposits was not transferred from Account Code 47 to Account Code 55 in the absence of Completion certificates therefore assets created from government grants etc are subject to reconciliation &confirmation.	assets created from loans and Govt. grants is available with Divisions and the Fixed Assets Register (FAR) of all unit has been prepared by the Company and shown to the Auditors. The amount of Consumer Deposits has been transferred from Account Code 47 to Account Code 55 after assets are put to use and completion certificates issued by the concerned Engineer. However, efforts are being made to reconcile the assets created from Central/ State Govt. Grants. Hence para may be dropped.
(b) Assets created from loans under Government Schemes. The Company and erstwhile Board have created assets under various Central Government and State Government schemes financed by government agencies. The assets created from such schemes are subject to reconciliations and confirmations. The Company has not disclosed the nature and extent of government grants recognized in the financial statements including grants of non monetary assets given at a concessional rate or free of cost. Asset corresponding to this reserve is un-identified and also depreciation on such asset is subject to reconciliation.	In reply to this para, it is submitted that sufficient detail of assets created from loans and Govt. grants is available with Divisions. However, efforts are being made to reconcile the assets created from Central/ State Govt. Grants. The government grants recognized in the financial statements in monetary terms and no assets in the shape of non-monetary assets given at a concessional rate or free of cost by the Govt. Hence the version of audit that the assets corresponding to this reserve is un-identified and also subject to reconciliation is not accepted. Hence para may be dropped.

(ii) Non refundable advances from industrial consumers for infrastructure development charges The erstwhile HPSEB and the company have received Non refundable advances from industrial consumers for infrastructure development charges from consume₹ The company has received **₹27,500.45** Lakh (previous year **₹25,019.20**Lakh) under the above head up to 31st March 2021. In our opinion the other long term liabilities are overstated to the extent of above as they are not payable to the consumers and is part of the revenue of the company and income of the company is understated to that extent.	In the reply of para it is intimated that Non refundable advance from industrial consumers for infrastructure development as per the HPERC Regulation and are being used / utilization as per the regulation. The version of the audit to consider these amount revenue income are not acceptable. Hence para may be dropped.
(iii)Deposits for Electrification Services Connections Account The above account code showed a sum of **₹69,496.87 Lakh** (previous year **₹68,969.61Lakh**) on account of deposit amount received from consumer for **Electrification Services Connections** and other charges as at **31st March 2021.** The company has not provided the details of the amount received under different sub heads under above head. As per the practice of erstwhile board the amount kept under this head is transferred to grants and subsidies head when the work of the assets to be created from deposit work is completed.	In the reply of para it is intimated that the detail of deposits for electrification services connections account is available at each filed unit level and version of the auditor is not acceptable. Hence para me be dropped please.
iv) **Power Availability Certificate Fees Account Code 47314** The Company has received the Power Availability Certificate fees from the Consumers amounting to ₹	Necessary rectification entries will be made during the current financial year.

16,144.62 lacs but the same has not been charged to proper Head by the sub divisions No Sufficient information in respect of the same has been provided to us. a) The subsidiary records at the divisions level is pending for reconciliation as at 31st March 2021. We have not been provided with the following information's by the Divisions. (b) The details of those works where the work has been completed and the amount from deposit has not been transferred to the consumer contribution towards the cost of the capital assets. (c) The details of the parties from whom full amount has not been received for the deposit work completed till **31st March 2021**. (d) The details of parties from whom full amount has been received but no work of deposit work has been done till **31st March 2021.** In the absence of information we are unable to comment on the amount kept under this head of account. It has been observed that in some divisions the consumers has deposited only the departmental charges and deposit work has been done by the consumer by their own. The charging of the departmental charges to revenue and charging of the value of fixed assets created and creation of reserves is subject to confirmations and reconciliations.	a) to (d) In the reply of para it is intimated that the subsidiary record is available at each filed unit level and version of the auditor is not acceptable. Hence para me be dropped please.

<table>
<tr>
<td>16 Current Liabilities- Financial Liabilities -Borrowings (Note 2.22)
Overdraft and Cash Credit from Banks
(i)We invite attention to note no 2.22 where the Company has obtained Overdraft facility/ Loans of ₹5,556.83Lakh (previous year ₹1,308.70 Lakh) against GPF Fixed Deposits which has been utilized for operations ,Which in our opinion should not have been taken and a trust for GPF already created ,these funds should be transferred to trust as it is not legal to take loan secured against GPF of employees.

(ii) While Verifying the Bank reconciliation statements of the Overdraft account it has been observed the accounts has not been reconciled since long an after keeping the 3 months cheques not presented for payment the overdraft account is overstated by ₹ 340.59 lacs and correspondingly the expenses are overstated by above amount.

<table>
<tr><td>Balance as per our books.No-27</td><td>-55,56,83,403.05</td></tr>
<tr><td>Amount Excess Debited By Bank</td><td>6,95,89,811.68</td></tr>
<tr><td>Amount Less Debited By Bank</td><td>4,11,59,666.07</td></tr>
<tr><td>Cheques issued but not presented</td><td>7,22,12,643.00</td></tr>
<tr><td>Balance as per Bank Account Statement.</td><td>-51,19,00,905.66</td></tr>
</table></td>
<td>(i) Statement of the facts. However, the Company has now created GPF Trust, which shall start functioning from next financial year at its own. Hence para may be dropped.

(ii) Statements of facts, hence no comments.</td>
</tr>
<tr>
<td>17 Current Liabilities- Financial Liabilities – Trade Payables (Note 2.23)

i) Liability for Purchases Capital and Others

(a) The above account code shows a sum of ₹22,654.05Lakh (Previous Year ₹ 19,543.29 Note 2.23 payable as liability on account of capital materials O & M Supplies/ Works. The Subsidiary record in respect of the</td>
<td>16(i)(a) The outstanding liability shown on accounts of capital material /O&M suppliers/ works are current in nature , sufficient information is available in our Divisions and the party wise reconciliation of the same is being</td>
</tr>
</table>

below mentioned accounts codes at division level is not reconciled. The above liabilities are subject to confirmations from the Parties.	done.
(b) It has been observed that divisions charge full liability of the bills of the suppliers when the materials are received. However in some case the bills are not fully passed by the Head Office and certain deductions on account of liquidity damages and price differences etc. from the final bills is being made. All such deductions which are done by the Head Office and not accounted for by the divisions may affect the other current liabilities and income of the company. In the absence of information we are unable to comment on the same.	16(i)(b) It is submitted that divisions offices, full liability of the bills of suppliers are created when the material is received, as per accounting procedure adopted by the Company. The deduction made by the head office on account of LD is revenue income of the Company and charged under the concerned head of accounts. The Auditors has not specifically mentioned the name of the unit in which this has not accounted for. Hence para may be dropped.
(c) In certain cases the payment of bills of the suppliers are to be made in phases on some percentage basis and will not be due at the end of the financial year. The Divisions has booked the bills with the full amount and no bifurcation has been made for current and noncurrent liability. In the absence of the information we are unable to comment on the same.	16(i) (c) The point has been noted for future compliance in FY 2022-23.
(d) It has been observed that where the payments has been made by the CPC up to 31st March 2021 and the ATD for the same has been raised by them to the divisions the same has not been reconciled by the CPC department with the divisions on year to year basis. In the absence of the reconciliations we are unable to comment the amount of liabilities shown by the divisions.	16(i)(d) All the Units/ divisions have been directed to reconcile the ATDs with CPC Section on quarterly basis and to ensure that there should be Nil balances at the year end. Hence para may be settled
(e) The Account code relating to 42.10 and 43.10 need to be reconciled. It has been observed that negative	**16(i)(e)** (i) The Company is making efforts to reconcile the amount from subsidiary books of accounts and the

<table>
<tr>
<td>entries are shown under these heads and the clearing of payments are not linked. Old outstanding are carried forward since many years. In the absence of proper reconciliation we are unable to comment on the same.</td>
<td>rectification shall be done in current financial year.</td>
</tr>
<tr>
<td>
18 Current Liabilities- Financial Liabilities - Other Financial Liabilities (Note 2.24)

i) Earnest Money Deposits from Suppliers and Contractors

The above account code shows a sum of ₹3,382.10 Lakh (Previous Year ₹3,505.25 Lakh) payable as earnest money deposits from suppliers and contractors The subsidiary records in respect of above are pending for reconciliations at division level.

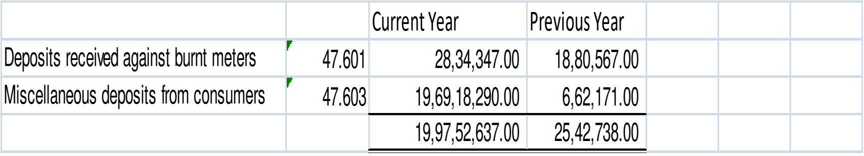
<table>
<tr><th>Particulars</th><th>A/c Code</th><th>Current Year</th><th>Previous Year</th><th></th><th></th></tr>
<tr><td>Earnest money deposits – Capital</td><td>46.103</td><td>3,127.12</td><td>2,839.67</td><td></td><td></td></tr>
<tr><td>Earnest money deposits – O&M</td><td>46.123</td><td>254.98</td><td>665.58</td><td></td><td></td></tr>
<tr><td>Total</td><td></td><td>3,382.10</td><td>3,505.25</td><td></td><td></td></tr>
</table>
In the absence of reconciliations/details /confirmation, we are unable to comment on the authenticity of the amount payable.

ii) Sundry Creditors for Expenses

The above account code shows a sum of ₹1,209.19 Lakh (previous year ₹1,402.98 Lakh) payable to different parties is subject to confirmation as at 31st March 2021. In the absence of information we are unable to comment on old liabilities which are to be charged to the revenue and may affect profit and loss account and
</td>
<td>
(i) The Company is making efforts to reconcile the amount of EMD from subsidiary books of accounts and the reconciliation shall be shown in current financial year.

(ii) The detail of this expense is available with all DDOs of the Company and these liabilities are recurring in nature and discharged regularly. Therefore, these is no old liabilities. However, the same shall be scrutinized in detail and appropriate action shall be shown during the audit of current financial year.
</td>
</tr>
</table>

the balance sheet.	
iii) Liability on account cheques outstanding others/ stale Cheques (A/c code 46.910) The company showed a sum of **₹ 1,731.02 Lakh** (previous year.**₹902.23 Lakhs**) under the Head stale cheques. No information in respect of the same has been provided by the company. In our opinion the other current liabilities are overstated and income is understated to sum of **₹1,731.02** Lakh.	(iii) Necessary rectification is being done in current financial year accounts. Hence Para may be settled.
iv) Account Code 4400000 Staff Related Liabilities The Above account includes old outstanding liabilities which has not been settled and linked with the payments. In our opinion the account to be reconciled and the amount which is not payable should be written back. No Sufficient information for the same has been provided by the divisions during the course of audit. In the absence of information we are unable to comment on the same.	iv) Necessary rectification is being done in current financial year accounts. Hence Para may be settled.
v) Unclaimed Credit Balance A/c code 46.927 The Company is showing **₹ 444.51 Lakh** (previous year **₹444.51 Lakh**) as unclaimed credit balance as at **31st March 2021.** The company has not provided information in respect of the same. In our opinion the Liability is overstated to the extent of above	(v) The above amount was misclassification and correction has been made in FY 2021-22 accounts by the SE (OP) Circle, Solan. Hence, Para may be settled.
vi) Deductions from Employees (A/c Head 44) & 46.9 are subject to reconciliation & adjustments at Division level.	(vi) Statements of facts, hence no comments.

<table>
<tr>
<td>
vii) Amount Received against Burnt Meter and other Misc Deposits 46.701 ,46.702 and 46.703
The Company has received the amount on account of burnt meters and other deposits from the customers which has not been charged to the revenue.

<table>
<tr><th></th><th></th><th>Current Year</th><th>Previous Year</th><th></th><th></th><th></th></tr>
<tr><td>Deposits received against burnt meters</td><td>47.601</td><td>28,34,347.00</td><td>18,80,567.00</td><td></td><td></td><td></td></tr>
<tr><td>Miscellaneous deposits from consumers</td><td>47.603</td><td>19,69,18,290.00</td><td>6,62,171.00</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>19,97,52,637.00</td><td>25,42,738.00</td><td></td><td></td><td></td></tr>
</table>
The Income is understated to the extent above.
</td>
<td>(vii) It is submitted that the cost of burnt meters and other miscellaneous receipts has been charged to revenue head during 2021-22.</td>
</tr>
<tr>
<td>(viii) The Bawa Nagar of the CE Generation has shown amount payable to the suppliers amounting to ₹ 179.00 lacs (previous year ₹ 179.00 lacs) since 2010 not settled till date. In our opinion the liabilities are overstated to the extent of above.</td>
<td>(viii) This amount has been settled during FY 2021-22, hence Para may be settled.</td>
</tr>
<tr>
<td>(ix) .The Ed2 Division of Shimla Operation circle has debited the provision account on 31st March 2021 instead of crediting the provision account thus the Liability under the Head 46430 is showing debit balance of ₹ 65.14 lacs. The Liability has to be provided for ₹52.61 lacs . Thus Expenditure is understated to the extent of ₹ 105.22 lacs.</td>
<td>(ix) The necessary rectification entries will be done during the current Financial Year 2021-22. Hence para may be dropped please.</td>
</tr>
<tr>
<td>(x)The Ed2 Division of Shimla Operation circle is showing debit balances in 47312 account code deposits work which has not been adjusted with the deposits account. No Information and explanation in respect of the same has been provided to us.</td>
<td>(x) The necessary rectification entries will be done during the current Financial Year 2021-22. Hence para may be dropped please.</td>
</tr>
</table>

(xi) The Rampur electric Division has shown Net salary payable amounting to ₹ 21.14 Lacs for which no details are available. In our opinion the liability is overstated to the extent of above. (xii) The Anni electric Division has shown Net salary payable amounting to ₹ 12.46 lacs(Previous year ₹ 21.66 lacs) for which no details are available. In our opinion the liability is overstated to the extent of above.	(xi) & (xii) In the reply to para it is submitted that the detail of liability is available with the concerned field unit and the version of audit is not acceptable. Hence para may be settled please.
(xiii) The Theog Electric division has shown debit balance in the account code 47.301 amounting to ₹ 20.37 lacs (Previous year ₹ 20.37 lacs) for which no details are available. In our opinion the expenditure is understated to the extent of above.	(xiii) The debit balance amounting to Rs. 20.37lacs will be rectified during current period. Hence para may be dropped please.
(xiv)The Chopal Electric division has shown debit balance in the account code 46.430 amounting to ₹ 23.19 lacs (Previous year ₹ 20.37 lacs) for which no details are available. In our opinion the expenditure is understated to the extent of above.	(xiv) The debit balance amounting to Rs. 23.19 lacs will be rectified during current period. Hence para may be dropped please.
(xv)The Theog Electric division has shown debit balance in the account code 46.410 amounting to ₹ 10 lacs for which no details are available. In our opinion the expenditure is understated to the extent of above.	(xiv) The debit balance amounting to Rs. 10 lacs will be rectified during current period. Hence para may be dropped please.
(xvi) The Maintenance Division Head Office has provided excess provision amounting to ₹ 84.68 lacs under the Head 46.430. Thus current liabilities are overstated to the extent of above.	(xvi) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.

(xvii)The Gaj and Baner RE of Generation wing is showing Liability of ₹ 17.26 lacs under the head 43.1 which has not been paid since long. In our opinion the current liabilities are overstated to the extent of above .	(xvii) In reply to the para it is submitted that liability against block head 43.1 will be cleared on the receipt of invoices from concerned contractor/ suppliers or will be adjusted/ rectified during current financial year.
(xviii)The Hamirpur Electrical systems Division of has debited the provision of expenses amounting to ₹ 71.73 lacs on 31st March 2021 to account code 42.1 instead of expenditure account . Thus expenditure is understated to the extent of above	(xviii) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xix) The Nalagarh electrical Division is showing debit balances in the party accounts under the Head 42.10 and 46.104 46104 10,12,319.00 4210 9,35,853.00 19,48,172.00 In our opinion the liabilities are understated to the extent of above and also the expenditure is understated.	(xix) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xx)The Gumarhavi division of Bilaspur Operation circle is showing ₹ 23.08 lacs under the head 4210000 Liabilities for supplier as Debit Balance. Thus Current Liabilities are understated to the extent of above.	(xx) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xxi)The Parwanoo division of Solan Operation circle is showing ₹ 37.71 lacs as debit balance in advance from customers account code 46934000 for which no details are available. Thus Advance from customers is understated to the extent of above.	(xxi) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.

(xxii)The Baddi division of Solan Operation circle is showing ₹ 16.00 lacs as debit balance in code 46410 for which no details are available. Thus Liabilities are understated to the extent of above is understated to the extent of above.	(xxii) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xxiii) 48.1 Security Deposits from Consumers The Divisions of operation circles have not reconciled and balanced the customer-wise Security Deposit received and interest payable thereon. No sufficient records and reconciliation of subsidiary records confirming the balance outstanding has been made available to us, therefore, we are unable to comment on the amount outstanding as Security Deposits to customers and accordingly interest accrued thereon An amount of **₹44034.43 Lakh**(previous year**₹41,537.00 lacs**)appeared in this account code. The amount is subject to reconciliation and confirmation since subsidiary records maintained at division level is not reconciled with amount reflected in A/c code 48.1	(xxiii) Complete detail & subsidiary register of Customer-wise Security Deposit received in Electrical Sub Division and interest payable thereon are available with respective sub division. The version of the auditor to No sufficient records and reconciliation of subsidiary records confirming the balance outstanding has been made available to him is denied. Hence Para may be dropped.
(xxiv)Amount payable for Employees General Provident Fund (GPF) We report that, contribution towards Provident Fund collected from employees have been retained and invested in Fixed Deposits with Banks by the Company. The Company has neither obtained registration with `Employer's Provident Fund Authorities' nor exemption for creation of Trust as specified in Employer's Provident Fund Act, 1952 and scheme framed there under. The Company has shown the same under other long term	**(xxiv)** In reply to this para it is submitted that the Company has neither obtained registration with `Employer's Provident Fund Authorities' nor exemption for creation of Trust as specified in Employer's Provident Fund Act, 1952 and scheme framed there under but the Company has been created the GPF Trust and get the exemption from Income Tax Authorities. The Company has shown the same under other long term liabilities

liabilities after netting off the investment made in the banks on account of GPF investments.

The amounts payable/ recoverable to employees GPF are subject to reconciliation and confirmations.

During the year under review, the Company has neither made own contribution nor has made provision for same in these financial statements. The amount of contribution of employer's share is subject to confirmation by Company.

The following is the position of Assets and Liabilities of the employees GPF at the close of the year and should be transferred to a trust and separate accounts of the same should be prepared as the same is not part of the accounts of the Company.

	Amount in lacs	
	Current Year	**Previous Year**
Assests		
Investments in Fixed deposits of Banks	30,844.41	56,289.97
Interest Accured on Investments	2,373.68	1,761.12
Recoverable from HPSEB Limited	1,831.31	15,214.31
	35,049.40	**73,265.40**
Liabilities		
Members Account	35,049.40	73,265.40
Excess of Expenditure over Income	-	-
Payable to HPSEB Limited	-	-
	35,049.40	**73,265.40**

We further report that liabilities and corresponding assets transferred from Board to Company have not been deposited with GPF or Trust. In terms of information and explanations given to us, the Company has

after netting off the investment made in the banks on account of GPF investments as per the requirement of the Ind AS/ Companies Act. The entire amount shall be deposited in GPF Trust in next year's as per the condition of GPF Trust.

accumulated total contribution of **₹35049.40 Lakh** (previous year **₹73,265.40 Lakh**) and has deposits there against a sum of **₹30844.41Lakh** (previous year **₹56,289.97 6Lakh**) which has resulted in amount recoverable form company amounting to **₹1831.31Lakh (previous year ₹15,214.31 lacs)**. In our opinion, the said assets and liabilities do not relate to Company and sum of **₹1831.31 Lakh(previous year ₹15,214. lakh)** is payable to General Provident Fund (GPF). We further report that the Company has obtained Overdraft facility of **₹22,742.79 Lakh**. (Previous year **₹3269.27 Lakh**) against GPF Fixed Deposits which has been utilized for operations. (Refer Note 28)	
(xxv) Interest accrued on Consumer Security Deposit The company has provided interest on security deposits of consumers amounting to **₹2,060.42Lakh** (Previous Year **₹1,818.87Lakh**) during the year under review. The provision made is subject to reconciliations and confirmations.	(xxv) In reply to para the provision of interest accrued on Consumer Security Deposit on the basis of banker's/ HPERC rates and same has been generated through SAP ERP on the consumer security deposit. Hence the version of audit for reconciliation and confirmation is not accepted.
(xxvi) The Kangra Circle has not made provision of the interest on security Deposit to consumers for the year under review	(xxvi) The provision for the same will be made in the current financial year. Hence audit is requested to settle the para please.
18 **Current Liabilities- Short Term Provisions (Note 2.26)** **i) 46.430 Provision for Liability of Expenses**	
The provision of **₹1,748.35 Lakh (Previous Year ₹ 3,887.68 Lakh)** made by the company on account of liability of expenses is subject to confirmations and	(i) Statements of facts, hence no comments are required.

<table>
<tr>
<td>reconciliations details not available.
(ii) The Shimla ED 1 and Chopal division of Shimla Circle has not made provision on account of Provision of Expenses and no information in respect of the same has been provided to us . In the absence of information we are unable to comment on the same.

(iii) The Head Office has not made provision for expenses amounting to ₹ 843.89 lacs which has been paid after the close of year till the approval of the Balance sheet.</td>
<td>(ii) Statements of facts, hence no comments are required.

(iii) Statements of facts, hence no comments are required.</td>
</tr>
<tr>
<td>19)Statement of Profit and Loss Account

i) Re-allocation costs of Employees and Repair and Maintenance to Capital works

The method and basis of reallocation of employee costs and repair and maintenance costs to capital works has not been informed to us.
(ii) Repair and Maintenance Power House
It has been observed that the RE’s in Generation circle are charging the cost of Servo oil to the expenditure when the same has been purchased and transferred to the Power House. The Servo oil in hand at the close of the year has not been shown as consumables in hand . The following are the details of the same.
<table>
<tr><td></td><td></td><td>Current Year</td><td></td><td>Previous Year</td><td></td><td></td></tr>
<tr><td></td><td></td><td>Quantity in lts</td><td>Value</td><td>Quantity i</td><td>Value</td><td></td></tr>
<tr><td></td><td>Oil in hand</td><td>8430</td><td>16,03,642.00</td><td>8255</td><td>13,95,520.00</td><td></td></tr>
<tr><td></td><td></td><td></td><td>16,03,642.00</td><td></td><td>13,95,520.00</td><td></td></tr>
</table>
Thus expenditure are overstated to the extent of₹16.03 lacs and correspondingly the consumables are understated to that extent.</td>
<td>(i) The method and basis of reallocation of employee costs and repair and maintenance costs to capital works has been done as per company policy and as per regulation of HPERC. Hence para may be dropped please.

(ii) Statements of facts, hence no comments are required.</td>
</tr>
</table>

(iii) Repair and Maintenance Lines Cables and network The City Division of Shimla Division has booked a sum of ₹ **41.63** lacs as repair and overhauling charges of Transformers during the year under review. As per IND As only routine repair maintenance are allowed as expenditure of revenue nature and other expenses have to be amortised during the use full life of the assets. Thus expenditure is overstated to the extent of above during the year under review	(iii) In reply to this para it is submitted that point relates to the field units and necessary adjustment of the same shall be made in next year after verification of the facts.
(iv) Transmission Charges The Company has made provision of ₹ 2200 lacs as provision for Transmission Charges payable to HPTCL. It has been observed that the above amount includes a sum of ₹1851 crores pertains to the accounting period for the year 2017-2020. No provision for the same has been provided in earlier years. Thus current year expenses are overstated to the extent of above.	(iv) Statements of facts, hence no comments are required.
v) Legal Charges The Company has booked deposit with court amounting to **₹ 22.69 lacs(Previous Year₹ 36.48**)lacs as Legal expenses which has to be shown under the Head Deposit with courts. Thus Expenditure is overstated to the extent of above and Deposits are understated to that extent.	(v) The concerned unit has advised to not repeat such irregularities. Point noted for future, hence Para may be dropped please.
vi) Licensee Fees HPREC The Company has deposited the License fees for the FY 2021-22 amounting to **₹ 131.00 lacs** and charged to the expenditure. In our opinion the expenditure should be booked under the head prepaid expenses. Thus the Expenditure is overstated to the extent of above.	(vi) Point noted for future, hence para may be dropped please.

<table>
<tr>
<td>vii) Miscellaneous Expenditure 76.190
During the course of audit it has been observed that the divisions in the following operation circle are charging the expenditure in the above head for those expenditure for which regular accounting Heads has been prescribed. In our opinion this head should be operated in those cases where proper accounting head has been prescribed and the units should ensure that minimum expenditure should be accounted for in the above head.
<table>
<tr><td>Kangra</td><td>5,57,781.00</td><td>5,77,711.00</td></tr>
<tr><td>Bilaspur</td><td>4,43,070.00</td><td>4,13,695.00</td></tr>
<tr><td>Solan</td><td>7,24,461.00</td><td>7,40,877.00</td></tr>
<tr><td>Shimla</td><td>1,74,440.00</td><td>6,69,024.00</td></tr>
<tr><td>Nahan</td><td>4,07,095.00</td><td>4,60,409.00</td></tr>
<tr><td>Kullu</td><td>6,30,802.00</td><td></td></tr>
<tr><td>CE SO</td><td>6,06,349.00</td><td></td></tr>
<tr><td></td><td>50,89,220.00</td><td>41,93,030.00</td></tr>
</table>
</td>
<td>(vii) The concerned field units have advised to not repeat such irregularities. Point noted for future, hence para may be dropped please.</td>
</tr>
<tr>
<td>viii) Interest to supplier / contractors code 78.84

The Head office has debited a sum of ₹ 8.27 lacs during the year to Account code 76.190 on account of Interest paid to the suppliers which was awarded by the Court of Law. The Misc Expenditure has been overstated to the extent of above.</td>
<td>viii) Point noted for future, hence para may be dropped please.</td>
</tr>
<tr>
<td>ix) Liquidity Charges paid back ES Shimla Totu

The Totu division of the Electrical system has paid back the Liquidity Damages received during previous years amounting to ₹ 117.89 lacs and has been reduced from</td>
<td>(ix) Statements of facts, hence no comments are required.</td>
</tr>
</table>

<table>
<tr>
<td>
the current year Income.

(viii) Stock of consumables at Head Office
The Head Office has consumables at the close of the year which has not been accounted for in the books of accounts at the close of the year. The following are the details of the same.
<table>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Stationey Items</td><td>6,34,132.00</td><td></td></tr>
<tr><td>2</td><td>Computer Stationery</td><td>79,64,897.00</td><td></td></tr>
<tr><td>3</td><td>Drawing Stationary</td><td>4,011.00</td><td></td></tr>
<tr><td></td><td></td><td>86,03,040.00</td><td></td></tr>
</table>
In our opinion the expenditure is overstated to the extent of above and consumables are understated to the extent of above.
viii) Goods and Service Tax
The Company has not filed the annual return in GSTR 9 for the year under review. In the absence of details of the GSTR 9 and GSTR 9c we are unable to comment on the same.
</td>
<td>
(viii) Statements of facts, hence no comments are required

(viii) Statement of facts no comments. However, the Company has now filed annual return in GSTR 9 for the year under review. Hence para may be dropped.
</td>
</tr>
<tr>
<td>
21 Board Meetings of the Directors
The Company has hold only three BOD Meeting during the year under review.
The Following are the details of the same.
<table>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>41st Meeting</td><td>14th July 2020</td><td></td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>42nd Meeting</td><td>13th October 2020</td><td></td><td></td><td></td><td></td></tr>
<tr><td>3</td><td>43rd Meeting</td><td>23rd October 2020</td><td></td><td></td><td></td><td></td></tr>
</table>
</td>
<td>
It is submitted that during the FY 2021-22, due to preventive measures of COVID-19 & lockdown declared by the Govt. of India, only three Board meetings were convened and held. The members of the Board suffered with Covid-19 and were unable to attend the meetings of the Board. Further, the Ministry of Corporate affairs also provided many exemptions such as minimum intervals of 180 days between two board meetings etc. In the FY 2021-22 April 2021 onwards, HPSEBL took many initiatives to comply with the provisions of the Companies Act, 2013.Hence, keeping in view of lockdown and COVID-19, this para may be dropped.
</td>
</tr>
</table>

22 **Distribution Losses** Reference is invited to Note (35 of the notes to accounts) regarding distribution losses. Some of the circles have very high distribution losses as compared to acceptable norms for electricity companies. The Rohru Circle T and D Losses and AT and C Losses are 42.89 % and 45.09%(Previous year 43.86% and 52.36%) . The less losses of other circles are being set off with the Rohru Circle to average T and D Losses and AT and C Losses as 12.11 % and 16.42 %	Statement of facts, no comments**.**
23 Contingent Liabilities in notes to accounts The Company has made disclosure of contingent liabilities in notes to accounts, sufficient information has not been provided in respect of the Contingent Liabilities provided in the notes to accounts. (Refer Note no).we have noticed some cases which has not been disclosed in calculating contingent liabilities.	The contingent's liabilities as on 31.3.2021 has been disclosed in Note No 2.31 (A) 12 which pertain to different Units of the Company and sufficient information in this regards is with concerned Divisions. Hence para may be dropped.
24 The Company has not provided any information of the suppliers / service providers who are registered as Micro, Small and Medium undertakings under "The Micro, Small and Medium Enterprises Development Act 2006" as on **31st March, 2021.** In the absence of the information we are unable to comment on the same.	The concerned unit has advised to prepare the information of the suppliers / service providers who are registered as Micro, Small and Medium undertakings under "The Micro, Small and Medium Enterprises Development Act 2006" as on **31st March, 2021.** Point noted for future, hence para may be dropped please.
25 Internal Audit of the company Section 138 of the companies act 2013 specifies that certain class of companies shall be required to appoint an internal auditor who shall be a chartered accountant or a cost accountant or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of	Point noted for future. Hence para may be dropped please.

the company. Further the rule 13 of the companies (accounts) rules 2014 that certain class of companies shall be required to appoint an auditor which may be either an individual or a partnership firm or a body corporate. And further the internal auditor may and may not be the employee of the company. The Company has not decided the other professionals who will be regarded as the internal auditors of the company. The Company is conducting the internal audit through its own audit department which are being constituted by its own employees of the company which is not in lines with the requirement of section 138 of the companies act 2013 and rule 13 of the companies(accounts) rules 2014. In our opinion the internal audit should be conducted by professionals as specified under provisions of the companies act who should have requisite and up to date professional knowledge about the working of the company and applicable accounting regulation applicable to the company.	
The effect of the said qualifications where ascertainable the loss of current year will be ₹ 1,83,242 lakhs against reported loss of ₹ 18,532 lakhs. The deficit in Other Equity will be ₹3,37,270 lakhs instead of ₹ 1,70,592 lakhs. The Borrowings will be₹ 5,32,302 lakhs instead of ₹5,54,652 Lakhs .The Non Current Provisions will be of ₹ 1,83,512 lakhs instead of ₹ 28,741 lakhs . The other Non Current Financial Liabilities will be ₹ 2,68,063 lakhs instead of ₹ 2,71,695 lakhs . The Current Borrowings will be ₹ 51,087 lakhs instead of ₹51,428 lakhs. The Current Financial	The company is complying with this Accounting Standard-26. Hence the version of the Auditor for non compliance is not acceptable and denied. Efforts are being made to rectify the left out shortcomings pointed out by the Statutory Auditors in the current year accounts and compliance of the same shall be shown to the auditors accordingly.

Liabilities will be ₹ 99,228 lakhs instead of ₹ 102,314 lakhs. .The Property Plant and Equipment will be ₹ 5,76,994 lakhs instead of ₹ 5,76,647 lakhs. The Capital Work In progress will be ₹ 1,62,571 lakhs instead of ₹ 1,62,894 lakhs. The Noncurrent Loans will be ₹61,249 lakhs instead of ₹61,248 lakhs. **The Other Noncurrent Assets will be ₹12,321 lakhs instead of ₹16,889 lakhs. The inventories will be ₹15,775 lakhs instead of ₹17,074 lakhs .The Trade Receivable will be ₹28,749 lakhs instead of ₹40,105 lakhs. The cash and cash equivalents will be ₹22,319 lakhs instead of ₹ 8,200 lakhs. The Financial Other current Assets others will be ₹ 68,204 lakhs instead of ₹ 73,968 lakhs. The Other current Assets others will be ₹ 129 lakhs instead of ₹ 33,319 lakhs.** **The Expenditure during the year are overstated on account of Prior period items by ₹ 1,969 lacs for which adjustments has to be made in previous years.** **The Closing cash and cash equivalents will be₹ 22,319.00 lacs instead of ₹8,200.00 lacs in the case of the cash flow statement for the year under review.** **Material Uncertainty relating to Going Concern** As the Accumulated Losses of the company as at 31st March 2021 is ₹1,70,592 lacs (previous year₹1,52,059 lacs) which exceeds 50 % of the net worth of the company. The Current liabilities as at 31st March 2021 are in excess of the current assets. Considering the Fact that the Government of Himachal Pradesh is expected to infuse additional equity funds as and when required, the standalone financial statements have been drawn up on going concern basis. We have relied on the management assessment and our audit report is not modified in this regard.	

Emphasis of Matter	
1 It has been observed that expenses approved by Head Office till the year end are only provided in the financial statements. The work completed / services rendered / goods supplied till 31st March, 2021 and not approved by Head Office, has not been provided in the financial statements, however, the same have been recorded in the subsequent period on receipt of approval from Head Office. The information with regard to assets / expenses and liabilities has not been made available to us, therefore, impact of same on noncurrent assets / current assets/ noncurrent liabilities/ current liabilities / losses cannot be quantified.	1. In reply to this para it is submitted that Company had defined the power in DOFP to their Officer and work/ expenditure are being incurred accordingly. The annual budget and Plan are being prepared and approved by the Management. The assets and liabilities appearing the financial statement are recognized/ approved by the management. Hence the version of the audit are not acceptable.
2 Neither the Company has disclosed the facts in notes nor given any information as to settlement for those cases which were disclosed in earlier years balance sheet as notes to account / audit report / CAG comments / comments of works audit party/ comments of RA audit /pending court case / settlement where the Company had deposited deposits with various authorities amounts some of them may have been settled / awarded by the Court / Govt. / Arbitrator but the status was not disclosed by the Company. This may affect the profit & loss account and the balance sheet	2. In reply to this para , it is submitted that Company is making since efforts to provide the entire records to the auditors and audit report / CAG comments / comments of works audit party/ comments of RA audit /pending settled during during the year has been show to the audit. The point has been noted for compliance for the same .
3 During the year under review the financial statements are prepared as per requirements of the IND As .The basis for grouping of noncurrent liabilities/ assets and current liabilities and assets as per the requirements of IND As for the current and previous year has not been produced for our verification. It was also observed that Figures of previous year was also regrouped in the	3 All the Units of the Company are maintain proper books of accounts as per requirement of the Cmpanies Act and SAP are being implemented in all the Units of the Company in next year. Hence para may be dropped.

schedules of balance sheet but the basis of regrouping was not provided to us.	
4 Old assets (recoverable) and old liabilities (Payables) in all the divisions being time barred mostly remained unconfirmed / un-reconciled. The adjustment required if any may affect the profit & loss account and the balance sheet.	4 Point to be noted for compliance n next year.
5 The Company has not provided sufficient physical verification records in respect of Tangible Assets, Capital Work in progress and Contracts in progress at the Division level. The adjustment required if any may affect the profit & loss account and the balance sheet.	5. The physical verification report of the fixed assets are available in each Division and no specif unit has been reported the audit in his report where the report has not been provided.
6 The Company has not taken any reasonable steps to remove the qualifications reported in previous year report and earlier year reports of HPSEB by CAG while adopting the accounts for the current year, therefore old material qualifications has been considered in the current year report where the same is quantifiable as no information for the same has been provided by the company.	**6**. Since efforts are being made to settled the CAG report by the management **.**
7 The Company has made provision for expenses on the basis of budgets approved for particular works irrespective of the fact that actual expense accrued/ incurred and same is reversed in the subsequent period on receipt of actual bill / invoice of the vendor / contractor. The same results in overstatement of other current liabilities and revenue expenses / capital work in progress. The sufficient information with regard to quantum of such liabilities provided in financial statements has not been made available to us.	7 to 15. Statement of facts, hence no comments.

8 The reconciliation of the Fixed Assets Register and the Fixed Assets account in the account statement is pending since many years The pendency is due to non availability of records/ information of earlier years or in some divisions the earlier years records has been burnt. The above pendency has been observed in almost all circles also. The adjustment required if any may affect the profit & loss account and the balance sheet.	
9 The reconciliation of the Works register and the Capital Work in progress account in the account statements is pending since many years. The pendency is due to non availability of records/ information of earlier years or in some divisions the earlier year's records has been burnt. The above pendency has been observed in Solan Circle, Rampur Circle, Rohru Circle and other circle also. The adjustment required if any may affect the profit & loss account and the balance sheet.	
10 No sufficient information and evidence in support of revenue expenses pending allocation over Capital Works has been provided to us. The adjustment required if any may affect the profit & loss account and the balance sheet.	
11 The subsidiary records in relation to consumer ledgers at the end of the year is pending for reconciliation at all divisions of the operation circles The adjustment required if any may affect the profit & loss account and the balance sheet.	
12 The Company has not provided any information about those consumers who has gone to the courts on account of disputes in the bills raised for energy charges.	
13 The Company has not settled the old un-reconciled entries in the bank reconciliations statements. The adjustment required if any may affect the profit &	

loss account and the balance sheet.	
14 The Head office has not supplied to us the employees wise details of loans and advances to staff and interest accrued thereon. The adjustment required if any may affect the profit & loss account and the balance sheet.	
15 The Company has not provided complete details of amount recoverable on account of theft of property pending investigation (Account Code 28.885). The adjustment required if any may affect the profit & loss account and the balance sheet.	
16 The Company has not been able to provide sufficient information/ confirmation from the parties in respect amount payable for purchase of power. The adjustment required if any may affect the profit & loss account and the balance sheet.	16 The complete records of amount payable for POP has been shown to the audit. Hence version of the audit are not acceptable.
17 The Company has not able to provide reconciliation in respect of deposits and retentions from suppliers and contractors with the subsidiary records maintained.	17 to 21 Statement of facts, hence no comments.
18 The Company has not been able to provide reconciliation in respect of Deposits for Electrification Services Connections Account Code 47.1 with the subsidiary records maintained.	
19 No sufficient Information has been provided in respect of the Contingent Liabilities provided in the notes to accounts and further no information for contingent assets has been provided.	
20 The divisions have not provided sufficient information in respect of those assets where the	

consumer has deposited the departmental charges and executed the work by their own. The adjustment required if any may affect the Value of assets created and the reserves on the other hand. 21 The Liabilities other than Borrowings, other payables and other recoverable are subject to confirmations. In the absence of confirmations, we are unable to comment of the same. **Key Audit Matters** Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters **Information Other than the Standalone Financial Statements and Auditor's Report Thereon** The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon. Our opinion on the standalone financial statements does not cover the other information and we do not express	Statement of facts, hence no comments.

any form of assurance conclusion thereon. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard as no information has been provided to us in this regard.	
Management's Responsibility for the Standalone 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 standalone 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 statement of changes in equity of the Company in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under. This responsibility also includes 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	Statement of facts, hence no comments.

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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors are responsible for overseeing the Company's financial reporting process.	
Auditor's Responsibility Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from	Statement of facts, hence no comments.

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit .We also: - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. -Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls. -Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. -Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that	

may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.	
Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure-I, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. 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-2 on the directions issued by Comptroller and Auditor General of India. 3. As required by section143(3) of the Act, we report that: a) We have sought and except for the possible effects of the matter described in the Basis of Adverse Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit; b) Except for the possible effects of the matter described in the Basis of Adverse Opinion paragraph above, 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;	Statement of facts, hence no comments.

c) The Balance Sheet, Statement of Profit and Loss and statement of Cash Flows and Statement of changes in equity dealt with by this report are in agreement with the books of account; d) Except for the effects of the matter described in the Basis of Adverse Opinion paragraph above ,in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, e) The Matter described in the Basis for Adverse Opinion paragraph above , in our opinion may have adverse effect on the functioning of the company. f) In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company. g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Adverse Opinion paragraph above. h) With respect to adequacy of Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-3" in our opinion the internal financial controls system is adequate but the operating effectiveness of such controls need be improved.	

i) 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 according to the explanations given to us: i. The Company has not disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 11 to the standalone Ind AS financial statements. ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; iii. There were no amounts as at 31st March 2021. which were required to be transferred to the Investor Education and Protection Fund by the Company.	
ANNEXURE 1 TO THE AUDITORS' REPORT **Annexure referred to in our report of even date to the members of HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED on the accounts for the year ended 31st March 2021.** (i) (a) The Company has maintained some records on electronic media but do not show full particulars, as to quantitative details and situation of fixed assets replaced/swapped are still shown as fixed assets in use. We could not find location of fixed assets in any unit. Where the swapped and replaced assets are kept not informed to us. (b) The Company does not have a program of verification to cover all the items of fixed assets in a phased manner or otherwise rather it is not possible to do verification & comparison.	a) Efforts are being made to maintain the fixed assets register (FAR) through retired Accounts personnel (Retainer Consultants) of the Company and GIS & GPS is in process. Fixed assets register shall be updated on receipt of final report from Retainer Consultants. (b) All the DDO's have been directed to physically verify the fixed assets every year.

(c) According to the information and explanations given to us, the records examined by us as no conveyance deeds etc. were made available to us, we cannot comment that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and building that have been taken on lease and disclosed as fixed assets in the standalone financial statements, the lease agreements are in the name of the Company cannot be commented upon in the absence of documents.	(c) Statement of facts, hence no comments.
(ii) According to the information and explanations provided to us , stores and spare, at all locations, has been physically verified. But no verification report was made available .Moreover, we have found stores which were in books but were not available physically. The valuation of stores is as per financial records, no physical stock details were made available to us..The procedure for physical verification of inventories followed by the management cannot be commented upon in the absence of verification report & procedure. The Company is maintaining records of inventory, i.e., Stores and spares. However, no list of such inventories with /without value were shown to us. we were not provided with any report of physical verification, hence we are unable to comment on the same.	ii) Complete procedure to verify the store and spares have been prescribed and given to the units by the Company. Procedure for physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company as Stock Verifier verifies the same periodically. Verification reports are available with the AO (Commercial) at HO and shall be shown to audit.
(iii) According to the information and explanations given to us, the Company has granted unsecured loans to BVPCL a subsidiary of the Company (bodies corporate), to be covered in the register maintained under section189 of the	(iii) BVPCL a subsidiary of the Company (bodies corporate) of the HPSEBL and interest bearing advance against capital works of Uhl HEP are being made by the Company after the approval of competent authority.

Companies Act, 2013 but no such register was made available to us The terms and conditions of the grant of such loans were not made available to us &whether, it is in the Company's Interest cannot be commented upon. But looking at the state of affairs(cost already incurred & installed capacity) the project is not viable As informed to us the schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations, but no such schedule was made available to us. As informed to us there is no overdue amount remaining outstanding as at the year-end. However, no records to verify the same has been given to us, in the absence of any terms & conditions overdue or otherwise cannot be commented upon.	The terms and conditions of the grant of such advance/ loans has been formulated and subsidiary records are properly maintained.
(iv) In our opinion and according to the information and explanations given to us, the Company has not complied with the provisions of Sections 186(5) of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.	(iv) HPSEBL has no default for repayment of principal and payment of interest till date. Complete subsidiary records of debt being maintained at head office has been shown to the audit. No overdue is outstanding at the end of year. Therefore, the Company is complying with the provisions of Sections 186(5) of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable. Hence the version of the audit are not acceptable.
(v) The company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	(v) Statement of facts, hence no comments.
(vi) The company has made and maintained cost	(vii) M/s SDM & Associates , Cost Accountants ,

<table>
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<td>accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s SDM and Associates for the year 201819.</td>
<td>Chandigarh firm are Cost Auditor of the Company and cost records are being prepared through outsourced Cost Audit firm M/s Sangeeta Bhagat , CA , Panchkulla. The Cost record for the FY 2019-20 has been prepared by the Company and audited by the Audit firm. Hence, observations of audit are denied and para may be settled.</td>
</tr>
<tr>
<td>(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2021 for a period of more than six months from the date they became payable Company is keeping Provident fund of employees with it in the form of FDRs & there is a shortfall in that .On the top of it the company has taken overdraft against the FDR of GPF.</td>
<td>(vii)(a) Statement of facts, hence no comments are required.</td>
</tr>
<tr>
<td>(b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:
<table>
<tr><th>Sr. No.</th><th>Duty</th><th>Current Year</th><th>Previous Year</th><th></th></tr>
<tr><td>i)</td><td>Electricity Duty</td><td>-</td><td>2,408.90</td><td></td></tr>
<tr><td>ii)</td><td>Municipal Tax</td><td>-</td><td>-</td><td></td></tr>
<tr><td>(ii)</td><td>Service tax</td><td>3.00</td><td>3.00</td><td></td></tr>
<tr><td></td><td></td><td>3.00</td><td>2,411.90</td><td></td></tr>
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<td>(b) In reply to this Para it is submitted that dues of Electricity duty, Municipal Tax and Service Tax are not disputed amount and these are amount outstanding at end of the year 31.3.2020. The payment of these amounts has been made in FY 2020-21 with in the six month. Hence, version of the audit is denied.</td>
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(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders. The PFC has stopped charging the interest in the ARDP part A scheme. The Company has not repaid the loan to the Government funded by the ADB. (ix) No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review. (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/ explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management . (xi) This being a government company Section 197 of the Act is not applicable. (xii) Company is not a Nidhi Company.	(viii) to (xii) Statement of facts, hence no comments.
(xiii) in our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have not been disclosed in the standalone financial statements as required by the applicable accounting standards	(xiii) The necessary disclosure has been disclosed in the Standalone Financial Statement, Notes to Accounts Note No 2.35 at Sr. 16 "Related Party transactions" in terms of Ind AS-24. Hence, the version of the auditors is denied.

(xiv) As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review. (xv) As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him. (xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.	xiv) Statement of facts, no comments. xv) Statement of facts, no comments. (xvi) Statement of facts, hence no comments.
Annexure 3 **Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")** We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH STATE ELECTRICITY BOARD Limited** ("the Company") as of 31 March 2021 in conjunction with our audit of the standalone 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	Statement of the facts. Hence no comments.

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	Statement of the facts. Hence no comments.

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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.	The company's has proper system of internal financial control as per the size of the Company. The proper books of accounts are being maintained as per law and the Companies Act, 2013. To make accuracy, Company has reliable billing software procured from the M/s TCS Ltd. and billings are being made in all operation Units (except tribal area). 32Nos Internal Commercial Audit parties & 2 Nos works Audit parties are conducting audit. The power has been delegated to various executing offices according to the approved delegation of financial powers (DOFP). Admn. Power and complete accounting procedure, maintenance of books of accounts are prescribed in the Accounting Manual of the HPSEBL. Besides, the rule & Regulation prescribed by the GOI & GOHP are be adhered strictly. Hence, the Company has, in all material in respect of an adequate internal financial controls system over financial reporting and such internal financial controls over reporting is operating effectively.

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, does not have adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were not operating effectively as at 31 March 2021, 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. However, company needs to further strengthen the in the control system in the following areas: - Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and	In reply to this Para, it is submitted that Company have well defined control system & prescribed detailed accounting policies in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over reporting are operating effectively. There is no fraud and mis-appropriation of funds is pointed out by the audit. The proper books of accounts are being maintained as per law and the Companies Act, 2013. To make accuracy, Company has reliable billing software procured from the M/s TCS Ltd. and billings are being made in all operation Units (except tribal area). 32Nos Internal Commercial Audit parties & 2 Nos works Audit parties are conducting post Audit. The Internal Audit Wing is headed & guided by the Chief Auditor. The efforts are being made & point has been noted. The necessary action shall be taken in next year.

requirements of the Ind AS - Negative Balances in Bank account to be settled before the closing of the accounts - Old Entries in Bank account to be reconciled and account for to avoid the chances of Fraud. - Balances of Initial uploads in the SAP should be adjusted . - The Party Wise details of the Account Code 42 should be settled as the vendor wise details are not uploaded in the SAP - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors - Capitalisation of Capital Work in Progress in timely and efficient manner. - Recovery of delay damages from the contractors and accounting thereof - Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only. - Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed. - Accounting of Provision is respect of doubtful advances and other recoverable. - Review of Negative Balances in liabilities and assets heads.	

- Reversing the Cheques/ Neft Entries for which the Limitation period is over. - Liability on account of GST should be as per the requirements of the Goods and Service Tax Act. - Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements. - Internal audit system to be improved. We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2021 standalone financial statements of the Company. However, these areas of improvement have a affect in our opinion on the standalone financial statements of the Company and same has already been reported in our main report.	

Place: Shimla
Dated: 26.11.2021

Chief Accounts Officer,
F&A Wing, HPSEBL, Shimla-4

Himachal Pradesh State Electricity Board Ltd
(A state Govt. Undertaking)
{Auditor's Report}
REPLIES TO THE AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH, 2021

OBSERVATION	Management REPLY
INDEPENDENT AUDITOR'S REPORT **To** **The Members of HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED** **Report on the Consolidated Ind AS Financial Statements** **Adverse Opinion**	
We have audited the accompanying consolidated Ind AS financial statements of **HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED** (hereinafter referred to as the "Holding Company"), and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities, comprising of the Consolidated Balance Sheet as at 31st March, 2021, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated 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 "the consolidated Ind AS financial statements")	Statements of facts, hence no comments are required.
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 ***Basis for Adverse Opinion*** section of our report the aforesaid consolidated 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 consolidated	

state of affairs (financial position) of the Group and jointly controlled entities as at 31st March, 2020, its consolidated profit/loss (financial performance including other comprehensive income), its consolidated cash flows and their consolidated changes in equity for the year ended on that date. **Basis for Adverse Opinion** We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Ind AS financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the consolidated Ind AS financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the consolidated Ind AS financial statements. *Due to covid pandemic we have not visited the circle offices and accounting units at field levels we have conducted audit at the Head Office by calling for the requisite information and documents through online and offline mode wherever required*.	The consolidated financial statements of the Company have been prepared as per the requirement of the Ind-AS, hence Auditors versions for adverse opinion is not acceptable.
A **Preparation of Financial Statements** **(i)** The company is maintaining the accounts of Operation circle i.e Shimla , Solan, Rampur, Rohru ,Nahan, Hamirpur and Bilaspur and Head Office for complete year in the SAP. The Accounts of the Operation Circle Kullu, Mandi,	(i) Agreed, the roll out of SAP/ ERP in Generation Wing, PCA and System Operation has been implemented w.e.f. May, 2021.Further, efforts are being made for the implementation of SAP/ ERP in

Kangra, Una, and Dalhousie(except Killar) was converted into SAP during the year under review and the same is in operation after August 2020 . The Accounts of Generation, Transmission, PCA , M & T Circle , Head Office (Adjustment Account) and System Operations are prepared on old erstwhile Board Pattern.	Transmission Wing during the current financial year also.
(ii) In respect of Operation circles which are migrated into the SAP during the year under review it has been observed that the balances of the circles as on the date of migration has been incorporated as the accounting entries between Apirl 2020 to July 2020 and the opening balances as on 1st Apirl 2020 and same has been shown as transactions during the non live period of the year. The Balances of the migrated operation circles is subject to reconciliation and confirmations. In the absence of information we are unable to comment on the same.	(ii) Statements of facts. Moreover the balances has been reconciled/ rectified during FY 2021-22.
(iii) Due to different sets of accounting code between SAP and manual System of accounting the Head Office has provided combined final trail balance for audit. We have observed that the figures tallies with the main account code and within the Main Head the figures in the sub heads are subject to reconciliation in case where the accounts are maintained in SAP	(iii) It is submitted that till the complete rollover of SAP/ERP is not made the necessary reconciliation of SAP live / non live units of company as whole is to be done and being done at head office level. Hence, version of the audit is not acceptable.
(iv) The Company has not made the classification of Current and Non Current assets and Liabilities at division level where the accounts are being prepared. The Classification is being done at Head Office Level only for Borrowings and other recoverable. In the absence of information we are unable to comment on the classification of Current and Non current Assets and Liabilities and which will have a impact on the closing balances of current and Non current assets and Liabilities as on 31st March 2021 and corresponding previous year shown in the Financial Statements.	(iv) It is submitted that the detail of current/ noncurrent/ Liabilities is being consolidated as per the trial balances of field units and consolidated assets and Liabilities shown in the balance sheet by the HO. There is no variation on the closing balances as on 31st March 2020 shown in the Financial Statements. Hence Para may be dropped please.

B Non-Compliance of Indian Accounting Standard (Ind As) The Company has not complied with the following Indian Accounting Standards while preparing the financial statements: -	
(i) Indian Accounting Standard (Ind As 1) Preparation of Financial Statements The Para 15 of Ind As 1 Presentation of Financial Statements states that where Financial Statements comply with IND As the company shall make an explicit and unreserved statement of such compliance in the notes. No Disclosure for the same has been made in the note .	We do not concurred with the views of statutory auditor as the same has been shown/ mentioned in the financial statements 1.1.
(ii) Indian Accounting Standard (Ind AS) 20 Accounting for Government Grants and Disclosure of Government Assistance. The company has not account for the assistance in the nature of providing the loan facility by the state government at concessional rate of interest or by deferring the payment of interest and principal of loan. The company must account for the interest payable on such concession /deferment till the close of the year at market rate as grant from the government and has to be accounted for as the addition to cost and the same has also to be shown as addition of grant. No such interest has been accounted for by the company till the close of the year as per para 10 A of the IND AS. In the absence of the information we are unable to comment on same.	Statements of facts, hence no comments.
(iii) Indian Accounting Standard (Ind AS) 19 Employees Benefits	

The para 55 to 62 of the Indian accounting standard is applicable to the company in respect of the **Post Employment Benefit: Defined Benefit Plans** which requires that actuarial valuation of the liability of employees defined benefit plan has to be made at the end of the year and same has to be accounted for on in the books of accounts. The Company has not accounted for the liability on the basis of the actuarial valuation and only actual liability has been provided. In the absence of the information we are unable to comment on the impact of the same on the Balance Sheet at the close of the year.	Statements of facts, hence no comments.
(iv) **Indian Accounting Standard (Ind AS) 37 Provisions, Contingent Liabilities and Contingent Assets:** The Company has disclosed the provisions contingent liabilities and contingent assets only up to the date when the accounts has been approved by the BOD. No Disclosures of Provisions , contingent liabilities and contingent Assets after the accounts approved by the BOD and till the date of finalisation of this report is considered in these financial statements.	Statements of facts, hence no comments.
(v) **Indian Accounting Standard (Ind AS) 10 Events After the Reporting Period** The financial Statements for the year under review are provided to us for audit on 30th September 2021 and was approved by the BOD on 30th September 2021. The financial statements are not adjusted for the events occurred between the Balance sheet date and the approval dates for both favorable and unfavorable events till date of the finalisation of this	Statements of facts, hence no comments.

report.	
(vi) Indian Accounting Standard (Ind AS) 113 Fair Value Measurement The Company has not made Fair Value measurement of the assets and Liabilities as on 31st March 2021. The same is not in line with the IND as 113 Fair Value Measurement which is mandatory applicable to the company.	Statements of facts, hence no comments.
(vii) Indian Accounting Standard (Ind AS) 109 Financial Instruments The Company has not applied the Ind As 109 while disclosing the Government Loan in the financial statements below market rate interest and its impact on the profit and loss and Balance sheet has not been disclosed in the financial statements.	Statements of facts, hence no comments.
(viii) **Indian Accounting Standard (Ind AS) 107 Financial Instruments Disclosures** The Company has not applied the Ind As 107 and has not disclosed the impact of Financial risks ie Credit Risk , Liquidity Risk, Market Risk and its impact on the Financial Statements.	Statements of facts, hence no comments.
(ix) Indian Accounting Standard (Ind AS) 12 Income Tax The Company has not followed the IND AS in respect of Income tax for calculating the deferred tax assets and Liabilities and its accounting in the books of accounts. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.

x) **Indian Accounting Standard (Ind AS) 8 Accounting Policies, Changes in Accounting in Accounting Estimates and Errors**	
The Company has not applied the Ind AS 8 in relation to accounting of the Prior Period Adjustments of errors while preparing the Financial Statements as stated in the para 1.22 of the Significant Accounting Policies of the company.	Statements of facts, hence no comments.
xi) Indian Accounting Standard (Ind AS) 14 Regulatory Deferral Account	
The Company has not applied the Ind AS 14 in relation Regulatory Deferral Account as the company is under regulation with Himachal Pradesh Regulatory Commission for fixing the Tariffs.	Statements of facts, hence no comments.
xii) Indian Accounting Standard(Ind As) 116 Leases	
The Company has not applied the Ind AS 116 in respect to leases which is effective from 01-04-2019. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.
xiii) Indian Accounting Standard (Ind As) 40 Investment Property	
The Company has not applied the Ind AS 40 in respect to Investment Property in respect to land and Buildings. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.

xix) **Indian Accounting Standard (Ind As 36) Impairment of Assets** The Company has not applied the Ind AS 36 in respect of the impairment of assets for those assets which have been carried at more than the recoverable amount through use and sale of the assets. No information in respect of the same has been provided to us. In the absence of the information we are unable to comment on the impact of the same on the financial statements at the close of the year.	Statements of facts, hence no comments.
C Observations on the Financial Statements **1 Property Plant and Equipment - Note 2.1** We invite attention to Note No 2.31 and Note no 1.2 & 1.3 of the Significant Accounting Policies and the Following are our observations	
(i) The Company has created assets on the land the ownership of which does not belong either to the erstwhile HPSEB or the company. No Information in respect of the same has been provided in the notes to accounts. In the absence of information we are unable to comment on the same.	i) Necessary rectification is being carried in current financial year.
(ii) The accumulated depreciation as on 31st March 2021 is not adjusted on account of assets washed away in floods, assets not in use, assets stolen and impaired assets. In the absence of information we are unable to comment on the authenticity of the accumulated balance of depreciation at the end of the year.	ii) It is submitted that the adjustment of depreciation as on 31st March 2021 on account of assets washed away in floods, assets not in use, assets stolen and impaired assets will be accounted for after the receipt of sanction of write-off from the competent authority as per policy. Hence, Para may be dropped please.
(iii) The Company had charged the cost of new energy meters installed in repair and maintenance account in earlier years , without writing off the cost of old meters and	iii) The information shall be provided to the auditors during current audit.

the corresponding depreciation from the Fixed Assets Register which is contrary to the Ind AS16 – Property Plant and Equipment . In the absence of information we are unable to comment on the cost of written down of meters which are in the Fixed assets schedule which are of non-existent in nature. iv) The company recognizes replaced items of Property, Plant and Equipment (PPE) as addition of PPE. However, carrying amount of old parts which are replaced, not derecognized from PPE. This is not in accordance with Ind AS – 16 "Property, Plant and Equipment". The effect of non-compliance of Ind AS – 16 is not ascertainable. v)The company recognizes capital spares as PPE and other spares as inventory based on predefined code system and not in accordance with requirement of Ind AS – 2 'Inventories' and Ind – AS 16 'Property, Plant and Equipment'. The effect of such non-compliance of Ind AS - 2 and Ind AS - 16 is not ascertainable	iv) Statement of facts, no comment. v) Statement of facts, no comment.
2) Capital Work in Progress - Note 2.2 **(i)** The above account head shows a sum of **₹1,62,894.24 Lakhs** (Previous year **₹1,28,887.33** Lakh) on account of work in progress of various capital works as on **31st March 2021** which is subject to reconciliation and confirmations. No Information / explanations in respect of the same have been provided to us. **(ii)** It has been observed that the works under capital work in progress has not been closed for want of completion certificates where as actually the work has been completed	i) In this regards it is intimated that , a sum of ₹1,62,894.24lakh(Previous year ₹1,28,887.33Lakh) on account of work in progress of various capital works as on 31st March 2020, which has been reconciled by preparing the data in CS-7 form as per policy of the company. Hence version of the audit is not acceptable. (ii) In this regards, it is intimated that all the works in progress has been capitalized by obtaining the completion certificate from Executing authority

and the assets has been put to use by the company. No sufficient information in respect of completed capital work in progress has been provided to us. In the absence of information we are unable to comment on the same.	and then capitalized as per policy of the company. Hence, version of the audit is not acceptable.
(iii) It has also been observed that in some cases the expenditure on capital work in progress has been incurred in excess of the sanctioned amounts and the work is still going on.	(iii) In this regards, it is submitted that, expenditure on CWIP has been incurred against the sanctioned schemes wherein provision of the same made available. Further, the matter for excess expenditure on capital work in progress of the sanctioned amounts and the work is still going on, which has been regularized by the revised sanctioned estimates from authority concerned. Hence, para may be dropped please.
(vi) It has also been observed that in some cases the work in progress has been partly transferred to the fixed assets on yearly basis without verifying that whether the work on the assets has been completely finished or not.	(iv) In this regards, it is intimated that, in some cases the work in progress has been partly transferred to the fixed assets on completed component of work, which are put in use. Hence para may be dropped please.
(v) Interest during Construction Period (IDC) It was observed that during the year company had paid **₹ 55,705.56** Lakh(Previous Year ₹ 51,811.99 lacs) total interest/ Finance Cost, out of which company has capitalized **₹8,083.18 Lakh(Previous Year ₹ 6,800.84 Lacs)** out of total interest. However the company did not provide us basis of such calculation of capitalization of interest. Therefore we are unable to comment that whether it was calculate as per Ind AS-23 Borrowing Costs.	(v) In reply of the para, it is submitted that company had paid **₹55,705.56** Lakh total interest/ Finance Cost, out of which company has capitalized **₹6840.84 Lakh** interest on the ongoing schemes and rest amount of interest has been charged to revenue due to closing of schemes. Further, the matter of calculation of interest, the same has been calculated on the basis of financing authorities and charged to the schemes on the basis of annual expenditure.

(vi) Contracts in Progress	
The Company showed a sum of **₹ 85.36 Lakh** (previous year₹ **67.32 Lakh**) as on 31st March 2021 as contract in progress at various divisions which is subject to reconciliation and confirmations.	(vi) The efforts are being made for the reconciliation of the same by directing the fields units of the company.
v) The Tisa Division of PCA is showing a sum of ₹ 323 lakhs in respect of Khauli Power House which has been commissioned and no details for the same is available. In our opinion the CWIP is overstated to the extent of above and same should be written off. Thus Expenditure is understated to the extent of above.	**(v)** In reply to para, it is submitted that the Khauli Const. Division, HPSEBL Shahpur Distt. Kangra was transferred/ shifted from closing Bhaba Const. Division No.1, HPSEBL, and Bhabanagar in O/o 30 dated 30.6.2012 and further this Division transferred / shifted to Tisa Distt. Chamba renamed as Projects Const. Division No-1 HPSEBL, Tissa in 12.9.2013 and start functioning at Tissa 13.9.2013. The Khauli Const. Division had assigned the pre stage const. activities and survey work of Khouli HEP Stage-II. In this scheme (14.21.4) all the expenditure incurred in pre stage activities by Khouli Const. Division Shahpur has been accounted for upto 9/2014, amounting to Rs. 32309808/- only in PCD-I HPSEBL Tissa and further no expenditure has been accrued by Projects Const. Division No-1 HPSEBL, Tissa. The process for reconciliation facts and figures is in progress. Hence para may be dropped please.
3) Financial Assests Loans and Advances- Note 2.5	
(i) It was observed that Company has Shown **₹229.04 Lakh (previous year₹ 314.84 Lakh)** in A/c Code 28.860 & 28.861 as commitment Advance. This advance was given in year 2009 and the same was not adjusted till the finalization of audit. Balance Confirmation of same was not provided to us for	**(i)** The Govt. of HP has decided to pay commitment advance for temporary infusion as equity in the SPV accordingly an advance amount to Rs.1.00 crore and 45.00 Lac was paid to Mega Power Project Orissa and Tatiya Andhra Mega

verification. In our opinion the Advances are overstated to the extent of above and provision for doubt full advance is required.	Power Ltd. respectively. The preliminary survey& Investigation work of Mega Power project 100 MW allotted to M/s Sakhigopal power company is in progress and amount paid as commitment advance can be recovered from selected developers at the time of transfer of special purpose vehicles to successful bidder and progress achieved against site investigation etc is being obtained from above cited company by the HPSEBL regularly. In addition to above in regard commitment advance paid to M/s Tatiya Andhra power ltd. it is intimated that Govt of Andhra Pradesh has decided to close the subject cited project for one and other reason and an expenditure worth Rs. 8.71 Lac has been incurred against above cited project up till now. Amount remained unutilized Rs.36.29 Lac along with interest amount shall be recovered from concerned company for which this office has requested C.E(SO&P) HPSEBL Shimla to take up the matter with M/s Tatiya Andhra Power Ltd to refund the commitment advance vide this office letter no-532 dated 07/08/2014 .After obtaining the approval from competent authority the capital expenditure shall be written off . Further it has been intimated by the Project Incharge of M/s TAMPL vide latter dated 12/7/2018 that matter has been taken up with Govt of Andhara Pradesh to release the amount of commitment advance earlier deposited by the sharing State and on the receipt of funds from GOAP amount of commitment advance along with interest will be released to HPSEBL ,Furthermore, matter has recently been taken up with the Executive Vice

(ii) Interest on Advance to Subsidiary It was observed that an amount of **₹ 60,923.84** (previous year **₹53,664.71**Lakh) appeared as Loan to Subsidiary in A/c Code 20.330. The terms and condition for advance given to subsidiaries has not been finalized. Interest at average rate of finance to the company has been booked in the accounts.	President Consulting PFC Ltd vide Chief Engineer (SO) HPSEBL Shimla office letter No 632-33 dated 4.7.2020.However point regarding making provision for doubt full advance it is intimated that above amount is realizable from TAMPL and can not be considered as doubt full debt please. (ii) It is submitted that BVPCL is subsidiary Company of the HPSEBL. HPSEBL is making payment of capital works of Uhl-III HEP and interest is being charged on the advance with BVPCL. The interest accrued on the amount of advance paid to BVPCL has been shown in other income refer to Note No 2.29 in separate G/I accounts. The Auditor has repeated pointing out this para on the bases of last year audit reports. Hence version of the Auditors that interest on loan was squared up with expenses is not acceptable and para may be dropped.
4) Other Non Current Assets- Note 2.7 **i) Advances to Supplies/ Contractors (Capital)** The Company is showing a sum of **₹ 910.00 Lakh** (Previous year **₹802.56Lakh**) as advances to supplier and contractors as on **31st March 2021**.Contractor ledgers need be maintained and reconciled and subject to reconciliation. **(ii) Loans and Advances to staff (Interest Bearing)** (a) It has been observed that the individual divisions does not have the complete record of the loan sanctioned and amount recovered from the employees and it has been	(i) The balances were under reconciliation due to implementation of SAP and contractor ledgers are available with units. The concerned units clear the advance payment from time to time. Hence Para dropped. (ii) (a) The head office has prepared complete records of loan and advance to staff i.e. House Building Advance, Scooter / Car advance in the

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<td>explained to us that the same is being reconciled and kept at head office level in the broad sheets of the employees.</td>
<td>Broad Sheet Section of this office. The employee wise details of above advance are available which are tallied with the accounts. Hence, para may be dropped.</td>
</tr>
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<td>(b) It was observed that in the following cases amount of Interest and principal is recoverable from the staff members for past many years. The Company Should make efforts to recover the amount at the earliest.
<table>
<tr><th>ACCOUNT NO</th><th>NAME OF EMPLOYEE</th><th>DESIGNATION</th><th>PLACE OF POSTING</th><th>TYPE OF LOAN / ADVANCES</th><th>O/S AMOUNT(RS.)</th><th>MONTH OF LAST INSTT.</th><th>REMARKS</th></tr>
<tr><td>R-21</td><td>Rajinder Gupta</td><td>Aee</td><td>Ce (Mm) Shimla</td><td>Vehicle Loan</td><td>1,48,578.00</td><td>July,2005</td><td>Retiring On 31/08/2020</td></tr>
<tr><td>R-21</td><td>Rajinder Gupta</td><td>Aee</td><td>Ce (Mm) Shimla</td><td>HBA</td><td>5,14,103.00</td><td>April,2007</td><td>Retiring On 31/08/2020</td></tr>
<tr><td>Ha-64</td><td>Hari Singh</td><td>Sr.Astt.</td><td>Elec.Div, D/Shala</td><td>HBA</td><td>22,097.00</td><td>Feb, 2008</td><td>________</td></tr>
<tr><td>Ja-24</td><td>Jaswant Singh</td><td>Dm</td><td>Board Sectt.</td><td>HBA</td><td>43,833.00</td><td>March,2016</td><td>Retiring On31/10/2022</td></tr>
<tr><td>La-52</td><td>Lekh Ram</td><td>Foreman</td><td>Elec.Div-Bilaspur</td><td>HBA</td><td>14,889.00</td><td>Oct,2008</td><td>Expired On 19/10/2008</td></tr>
<tr><td>La-28</td><td>Lekh Ram</td><td>Sr.Astt.</td><td>Elec.Div-Bilaspur</td><td>HBA</td><td>25,990.00</td><td>March,2008</td><td>Retired On 31/05/2016</td></tr>
<tr><td>Ma-90</td><td>Manohar Lal Sharma</td><td>Dm</td><td>Elec.Div-Una</td><td>HBA</td><td>35,425.00</td><td></td><td>Retired On 31/12/2012</td></tr>
<tr><td>Ma-74</td><td>Mehar Singh</td><td></td><td>Elec.Div-Rampur</td><td>HBA</td><td>34,741.00</td><td></td><td>Retired On 31/02/2011</td></tr>
<tr><td>R-95</td><td>Ram Chand Thakur</td><td>Ae</td><td>___</td><td>HBA</td><td>58,685.00</td><td></td><td>Retired On 31/08/2013</td></tr>
<tr><td></td><td></td><td></td><td>TOTAL</td><td></td><td>8,98,341.00</td><td></td><td></td></tr>
</table>
</td>
<td>(b) Statement of facts, hence no comments. However, the Company is making efforts to recover the same.</td>
</tr>
<tr>
<td>(iii) It has further been observed that when an employee is transferred from one Division to other division his account is not transferred to the other division though ATD and as such partial accounts are being kept at different divisions on account of loan sanctioned and recovery made at different divisions.</td>
<td>iii) The Outstanding balances of employee HBA and Car loan are available with HO and remaining advance to employee are available with Divisions.</td>
</tr>
</table>

iv) Assets not in use The company is showing **₹310.07** Lakh (Previous year **₹331.39Lakh**) as assets not in use as at **31st March 2021**. In our opinion the above assets has completed their use full life and will not help in generating any further revenue and should be charged to revenue. Thus other noncurrent assets and Income are overstated to the above extent. (Refer Note 2.33 (B) (3).	(iv) It is submitted that amount shown under this head is written down value of obsolete/ scrapped assets. The accounts shall be closed in respect of particulars assets after write off/ sale. This is a continuous process and amount in this head is regularly written off after obtaining the approval of competent authority as per procedure prescribed by the Company. In view of above, we not agree with the version of auditor.
v) Expenditure on Survey/ Feasibility Studies Projects not yet sanctioned. The above account code shows a sum of ₹**8,199.40** Lakh (previous year **₹8,190.50 Lakh**) incurred on account of Expenditure on Survey/ Feasibility Studies Projects not yet sanctioned as at **31st March 2021**. As informed to us these are recoverable from the parties to whom the projects will be allotted & in case projects allotted to HPSEBL then the amount will be transferred to CWIP. It has been observed that some of the units has been allotted to the parties however the amount recoverable from the allotted units has not been transferred to the recoverable head. In the absence of information we are unable to comment on the same.	(v) As per the accounting policy in vogue, the expenditure on preliminary survey and investigation of new project not yet sanctioned is charged to this account and when the project is sanctioned/ allotted this expense is recovered from IPPs/ capitalized as the case may be. The projects pointed out by the audit have not yet been allotted to any agency by the Govt. however; the detail is being scrutinized for appropriate action, if any.
5 Inventories - Note 2.8 (i) No details of inventories has been compiled at HO the balance shown in Balance sheet is as per Trial Balance complied by the HO .There is no system of comparing/reconciling quantitative records with financial records nether at unit level nor at circle / HO level.	(i) It is submitted that Chief Engineer (MM) is State Purchase Officer and demand of stock; inventory/ quantitative detail of inventories lying in the units are being examined by his office. The record related to quantities of inventory duly reconciled with financial records is available in every Store locations of Divisions. Hence para may be dropped please.

<table>
<tr>
<td>(ii) As reported by previous auditors, the Company has been transferred with stocks of the erstwhile Board which have been purchased in earlier years and the same has not been used till the close of the year and the same has resulted in over stocking of the stocks and pilling up of the stocks at Divisions level. The detail provided does not contain the details of all the divisions. The Quantification has been made on the basis of the information provided by the company till the date of the audit
<table>
<tr><td></td><td></td><td>Current Year</td><td>Previous Year</td><td></td></tr>
<tr><td></td><td></td><td>₹</td><td>₹</td><td></td></tr>
<tr><td></td><td></td><td></td><td>-</td><td></td></tr>
<tr><td>22.6</td><td>Stocks in hand more than five years Critical</td><td>723.11</td><td>437.52</td><td></td></tr>
<tr><td>22.6</td><td>Stocks in hand more than five years non Critical</td><td>309.23</td><td>55.39</td><td></td></tr>
<tr><td></td><td></td><td>1,032.34</td><td>492.91</td><td>539.43</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
</table>

In our opinion the inventories are overstated to the extent of ₹309.23 Lakh (previous year₹ 55.39 Lakh) for which no provisions has been made in the books of accounts. However ,to verify these figures Management does not have records in favour or against the qualification.</td>
<td>(ii) Efforts are being taken for the settlement of these balances and most of the balances have been settled during the current financial year. It is further submitted that stock lying in various Divisions shown under this head is not more than five years and is useful and can be used at any time in the Company. Hence, para may be settled.</td>
</tr>
<tr>
<td>(iii) The Kangra Electrical Circle is showing the value of the CFL stocks in the stock record which has been written off by the company amounting to ₹30.20 Lacs(previous year₹ 36.16 Lacs) . In our opinion the inventories are overstated to the extent of above.</td>
<td>(iii) In this regards, the necessary ratification entry of the same will be done intimated hat in the next financial year hence para may be dropped please.</td>
</tr>
<tr>
<td>(iv) The M and T Circle is showing Damaged Transformers amounting to ₹ 301.68 lacs Previous Year ₹ 311.53 lacs) whose value has to be taken as Nil as the Transformers are damaged and the net realisable value is Nil. Thus the Stocks are overstated to the extent of above.</td>
<td>(iv) Statement of facts. The procedure for accountal the damaged transformers with value is in the final stage in SAP ERP due to which problem is being faced, However, the correction in the system will be completed in due course of time.</td>
</tr>
</table>

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<td>

(v) Inventories- Scrap/ other material/ excess/ shortages
The Company has shown the following under the head Inventory for which no provision has been accounted for in the books of accounts:-

<table>
<tr><td></td><td></td><td></td><td></td><td>Amount in Lacs</td></tr>
<tr><td>Code</td><td></td><td>Current Year</td><td>Previous Year</td><td></td></tr>
<tr><td>22.7</td><td>Other Material Account</td><td>264.45</td><td>147.26</td><td></td></tr>
<tr><td>22.8</td><td>Stock Excess and Short</td><td>-696.60</td><td>1,863.55</td><td></td></tr>
<tr><td></td><td></td><td>-432.15</td><td>2,010.81</td><td></td></tr>
</table>

In our opinion the inventories are understated to the extent of above.

vi) GR /IR Clearing Sap Code 2220000
It has been observed that the above head shows credit balance in go live accounting units amounting to ₹ 10,812.75 lacs(previous year ₹ 17,742.06 lacs). The Correction entry for the same is posted at Head Office level by transferring the same to the Sundry creditors accounts.
No sufficient information and explanations in respect of the same has been produced for our verification by the accounting units and Head office. In the absence of the information we are unable to comment on the same.
vii) Shortage of stocks
The following operation circles has shown shortage of the stocks at the close of the year which is on account of difference in books and stock ledger kept by the stores.

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<td>

v) In reply to this para, it is submitted that amount shown under this head pending for investigation in various units of the Company and reports of competent authority are awaited. The same has been regulated as per accounting policies of the Company and cost incurred on retirement, scrapping and sales of assets is charged to revenue account in the year in which cost is incurred.

vi) Efforts are being made to clear the SAP code 2220000 in the current financial year please.

vii & viii) It is submitted that the difference in book ledger and stock ledger arises due pending entries in SAP/ ERP. Now, now out of 10,19,33,704/- in r/o following circles, a sum of Rs. 8,49,78,886/- has been adjusted ending September 2021 and remaining amount to the tune of Rs. 1,69,54,818/- will be adjusted in due course of time. Hence para may be dropped please.

</td>
</tr>
</table>

	HPSEB Limited	Current Year	Previous Year
	Stock Shortage Operation Circle	Amount	
1	Hamir Pur	33,40,200.00	4,69,86,800.00
2	Shimla	4,90,50,886.00	7,62,92,797.00
3	Solan	43,01,731.00	74,41,739.00
4	Rampur	47,97,873.00	38,20,450.00
5	Nahan	4,04,43,014.00	3,13,82,536.00
		10,19,33,704.00	16,59,24,322.00

Thus in our opinion the stocks are overstated to the extent of above.

(viii) It has been found that there is no systematic accounting of stocks in this account heads and some divisions has not made distinctions between the stocks of stores and other materials and it has been observed that in some cases the office equipment stocks and other office equipment has also been included in the above head which should have been part of the fixed assets. In the absence of sufficient information we are unable to comment on the overstatement of inventories.

Balance ending September 2021 is appended as under:-

	HPSEB Limited	
	Stock Shortage Operation Circle	Amount
1	Hamir Pur	25,091.00
2	Shimla	10,972,764.00
3	Solan	4,916,928.00
4	Rampur	877,600.00
5	Nahan	162,435.00
		16,954,818.00

ix) The Company has not provided details in respect of inventories, which are of current and noncurrent nature. In the absence of information, we are unable to comment on the current and noncurrent portion of inventories.

(ix) It is submitted that the details in respect of inventories, which are of current and noncurrent in nature are being prepared at unit level from the current financial year. Hence para may be dropped please.

x) Physical verification reports of the inventories were not provided to us for verification at division/ subdivision level. In the absence of physical verification reports the balance of inventories are subject to confirmation. There is no system prevalent in the company to identify the obsolete Stock; company has not shown any loss by theft or natural calamity in stock. The System of reporting theft of Stock at the division level to H.O and its treatment in the accounts is not clearly specified. In the absence of complete information, its impact

(x) Now, the physical verification reports of inventories have been shown. Hence para may be dropped**.**

on profit / Loss could not be ascertained.	
xi) The Company has not shown the spares of the Turbines under Property Plant and Equipment as per the requirements of the IND As.	(xi) The spares of the Turbines have been shown in spares under GL- 22 without value as per policy of the company. Hence para may be dropped please.
xii) The company recognizes capital spares as PPE and other spares as inventory based on predefined code system and not in accordance with requirement of Ind AS – 2 ‘Inventories’ and Ind – AS 16 ‘Property, Plant and Equipment’. The effect of such non-compliance of Ind AS - 2 and Ind AS - 16 is not ascertainable.	xii) Capital Spares & other spares has been maintained as per Company policy.
xiii) During the course of audit it has been observed that the some of the Divisions of the operation circles are showing the dismantled Transformers in their inventories and the same has not been written off from the inventory details. In the absence of complete information provided to us we are unable to comment on the same.	xiii) In the reply of para it is submitted that the necessary rectification entry will be made in the current financial year.
6 Trade Receivables (Note 2.10) **(i)** The Company has shown trade receivables from consumers and others under this head amounting to **₹40,104.61 Lakh (previous year₹58,022.75Lakh**) are subject to confirmation & reconciliation.	(i) The amount shown recoverable from consumers is against supply of power which will be realized within current period. Sufficient information is available with the operation Divisions/ Sub Divisions of the Company and the amount shown under current period is in order. Hence, Para may be dropped.
ii) Court Cases by Consumers As explained by the company the erstwhile Board/Company has billed to industrial / Large consumers of following operation circle	ii) The impact of the court cases is being worked out now and the provision of the same will be made in the current year. Hence para may be dropped.

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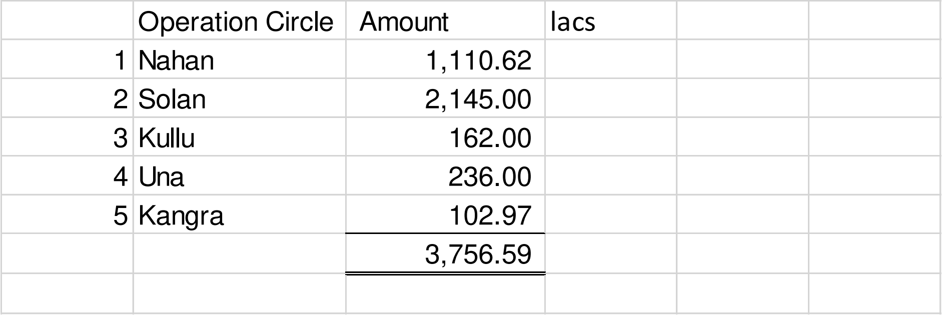
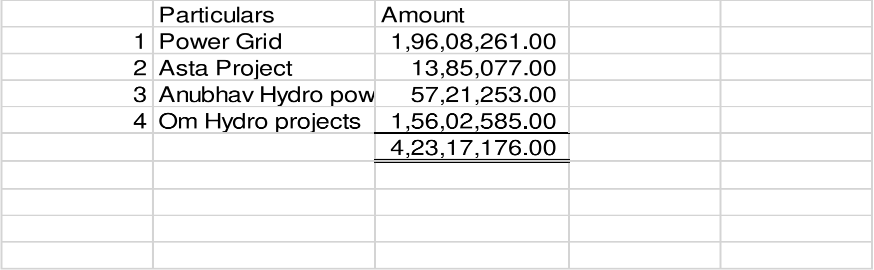

<table>
<tr><th></th><th>Operation Circle</th><th>Amount</th><th>lacs</th><th></th><th></th></tr>
<tr><td>1</td><td>Nahan</td><td>1,110.62</td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>Solan</td><td>2,145.00</td><td></td><td></td><td></td></tr>
<tr><td>3</td><td>Kullu</td><td>162.00</td><td></td><td></td><td></td></tr>
<tr><td>4</td><td>Una</td><td>236.00</td><td></td><td></td><td></td></tr>
<tr><td>5</td><td>Kangra</td><td>102.97</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>3,756.59</td><td></td><td></td><td></td></tr>
</table>
The consumer had filed suits against the same and recovery had been stopped by the courts. No provision for the amount doubtful of recovery has been made in the books of accounts. In our opinion the expenditure is understated to the extent of above.
(iii) The Hamirpur Electrical Division is showing the following amounts as recoverable on account of OM Charges which has not been recovered till date:-

<table>
<tr><th></th><th>Particulars</th><th>Amount</th><th></th><th></th></tr>
<tr><td>1</td><td>Power Grid</td><td>1,96,08,261.00</td><td></td><td></td></tr>
<tr><td>2</td><td>Asta Project</td><td>13,85,077.00</td><td></td><td></td></tr>
<tr><td>3</td><td>Anubhav Hydro pow</td><td>57,21,253.00</td><td></td><td></td></tr>
<tr><td>4</td><td>Om Hydro projects</td><td>1,56,02,585.00</td><td></td><td></td></tr>
<tr><td></td><td></td><td>4,23,17,176.00</td><td></td><td></td></tr>
</table>
The amount has not been recovered since long hence provision for the same is required. Thus Trade receivables on account O and M charges are overstated to the extent of above.
</td>
<td>iii) In reply to the para, it is submitted that recoverable amount to the tune of Rs. 423,17,176/- on account of O&M Charges will be recovered from the concerned Firms during current FY 2021-22. Hence para may be dropped please.</td>
</tr>
<tr>
<td>7 Financial Assets – Cash and Cash Equivalents Note 2.11
(i) The Kullu Operation circle is showing cash in hand as on 31st March 2021 amounting to ₹ 184.61 lacs which is of non existence nature and the same has arisen due to non reconciliation of cash and bank accounts in SAP. The Head Office has made adjustment in the adjustment account at the close of the year.</td>
<td>i) The entry will be rectified during the FY 2021-22 accounts, para may be dropped.</td>
</tr>
</table>

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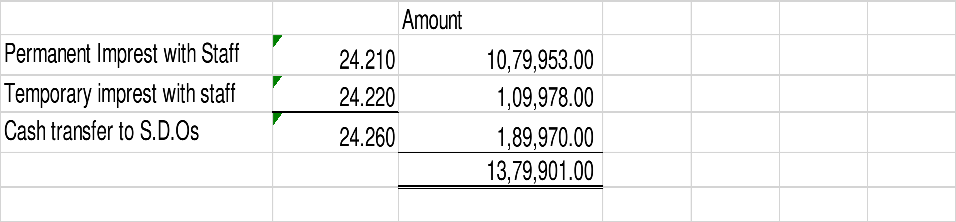
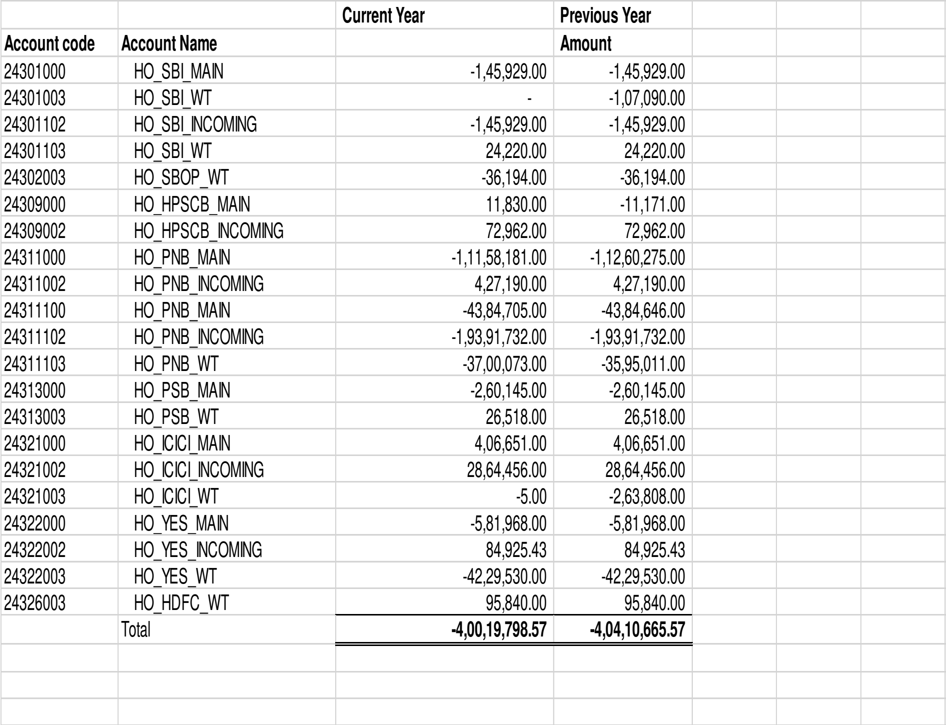
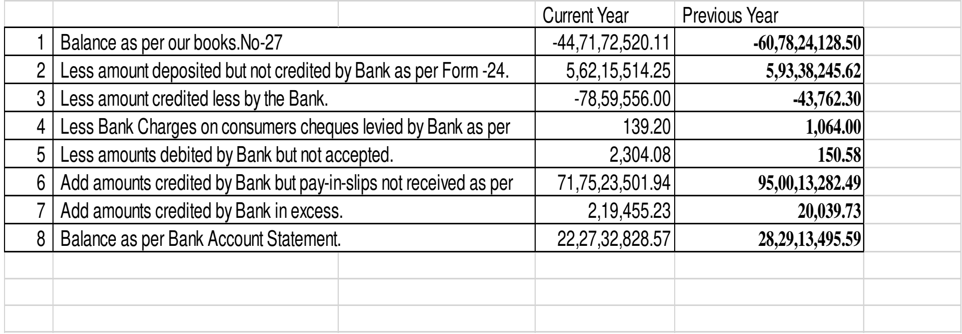
<tr>
<td>
(ii) The Palampur Division of Kangra Circles is showing cash in hand in excess of ₹ 1.80 lacs which is of non existence nature and has to be written off. Thus cash in hand is overstated to the extent of above.
(iii) Imprest in hand
The following accounts have not been adjusted by the operation circles which have been migrated in SAP during the year. In our opinion the expenditure are understated to the extent of above.

<table>
<tr><th></th><th></th><th>Amount</th></tr>
<tr><td>Permanent Imprest with Staff</td><td>24.210</td><td>10,79,953.00</td></tr>
<tr><td>Temporary imprest with staff</td><td>24.220</td><td>1,09,978.00</td></tr>
<tr><td>Cash transfer to S.D.Os</td><td>24.260</td><td>1,89,970.00</td></tr>
<tr><td></td><td></td><td>13,79,901.00</td></tr>
</table>
</td>
<td>
ii) The entry will be rectified during the FY 2021-22 accounts, para may be dropped.
iii) The entry will be rectified during the FY 2021-22 accounts, para may be dropped.
</td>
</tr>
<tr>
<td>
8 Financial Assets – Bank Balances other than Cash and Cash Equivalents 2.12
(i) The Operation circles is showing the following Bank balances in SAP which are of non existing nature and bank statements / bank reconciliation statements in respect of the same has been shown for our verification. In our opinion the bank balances are understated to the extent of above.
</td>
<td>
i) These balances are being rectified during the current financial year.
</td>
</tr>
</table>



		Current Year	Previous Year
Account code	Account Name		Amount
24301000	HO_SBI_MAIN	-1,45,929.00	-1,45,929.00
24301003	HO_SBI_WT	-	-1,07,090.00
24301102	HO_SBI_INCOMING	-1,45,929.00	-1,45,929.00
24301103	HO_SBI_WT	24,220.00	24,220.00
24302003	HO_SBOP_WT	-36,194.00	-36,194.00
24309000	HO_HPSCB_MAIN	11,830.00	-11,171.00
24309002	HO_HPSCB_INCOMING	72,962.00	72,962.00
24311000	HO_PNB_MAIN	-1,11,58,181.00	-1,12,60,275.00
24311002	HO_PNB_INCOMING	4,27,190.00	4,27,190.00
24311100	HO_PNB_MAIN	-43,84,705.00	-43,84,646.00
24311102	HO_PNB_INCOMING	-1,93,91,732.00	-1,93,91,732.00
24311103	HO_PNB_WT	-37,00,073.00	-35,95,011.00
24313000	HO_PSB_MAIN	-2,60,145.00	-2,60,145.00
24313003	HO_PSB_WT	26,518.00	26,518.00
24321000	HO_ICICI_MAIN	4,06,651.00	4,06,651.00
24321002	HO_ICICI_INCOMING	28,64,456.00	28,64,456.00
24321003	HO_ICICI_WT	-5.00	-2,63,808.00
24322000	HO_YES_MAIN	-5,81,968.00	-5,81,968.00
24322002	HO_YES_INCOMING	84,925.43	84,925.43
24322003	HO_YES_WT	-42,29,530.00	-42,29,530.00
24326003	HO_HDFC_WT	95,840.00	95,840.00
	Total	**-4,00,19,798.57**	**-4,04,10,665.57**

(ii)The Operation circles are showing the negative balances in the Bank accounts which has resulted due to the fact that the balance received in the bank accounts has been remitted to the Head Office at the close of the year and the respective divisions has not accounted for the receipts from the consumers in the bank for non availability of the details of the consumers who has remitted the amount. The following is the summary of the Bank Reconciliation of the all the Operation circle submitted to us:-

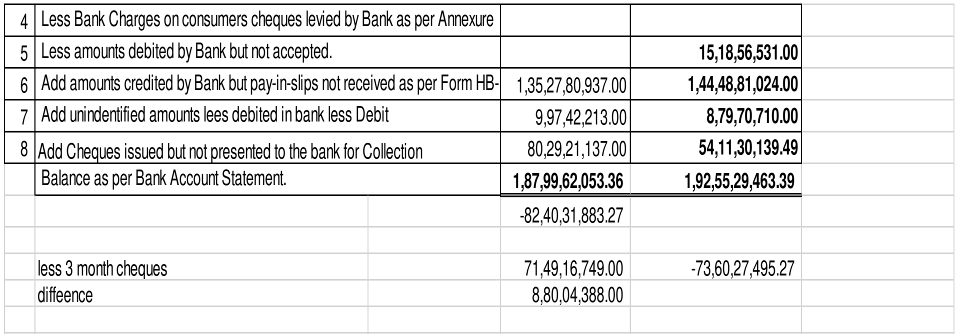
(ii) These balances are being rectified during the current financial year.



		Current Year	Previous Year
1	Balance as per our books.No-27	-44,71,72,520.11	**-60,78,24,128.50**
2	Less amount deposited but not credited by Bank as per Form -24.	5,62,15,514.25	**5,93,38,245.62**
3	Less amount credited less by the Bank.	-78,59,556.00	**-43,762.30**
4	Less Bank Charges on consumers cheques levied by Bank as per	139.20	**1,064.00**
5	Less amounts debited by Bank but not accepted.	2,304.08	**150.58**
6	Add amounts credited by Bank but pay-in-slips not received as per	71,75,23,501.94	**95,00,13,282.49**
7	Add amounts credited by Bank in excess.	2,19,455.23	**20,039.73**
8	Balance as per Bank Account Statement.	22,27,32,828.57	**28,29,13,495.59**

In Our Opinion the Bank balances are understated to the extent of ₹7,175.23 lacs (Previous Year ₹9,500.13 lacs and sundry Debtors are overstated to that extent.

(iii) The Head office has not properly reconciled the Banks maintained by the company and the unreconciled entries has been shown in the bank reconciliations statements for more then 3 months.



4	Less Bank Charges on consumers cheques levied by Bank as per Annexure		
5	Less amounts debited by Bank but not accepted.		**15,18,56,531.00**
6	Add amounts credited by Bank but pay-in-slips not received as per Form HB-	1,35,27,80,937.00	**1,44,48,81,024.00**
7	Add unindentified amounts lees debited in bank less Debit	9,97,42,213.00	**8,79,70,710.00**
8	Add Cheques issued but not presented to the bank for Collection	80,29,21,137.00	**54,11,30,139.49**
	Balance as per Bank Account Statement.	**1,87,99,62,053.36**	**1,92,55,29,463.39**
		-82,40,31,883.27	
	less 3 month cheques	71,49,16,749.00	-73,60,27,495.27
	diffeence	8,80,04,388.00	

In our opinion the Bank Balances are understated to the extant of ₹ 7,360.27 lacs after considering the three months cheques not presented to payments till the close of the year. The income is also understated to the extent of above as the company has not shown to our verification that the amount

iii) These balances are being rectified during the current financial year.

<table>
<tr>
<td>
<p>has been claimed by debtors/ creditors.</p>
<p>(iv) It has been observed that the head office is showing very old entries in the Bank reconciliation statements as pending. In our opinion the same should be reconciled as the pendency will result in fraud area of concern and will have financial effect on the working capital of the company.</p>
</td>
<td>
<p>iv) Efforts are being made to rectify these old balances during the current financial year.</p>
</td>
</tr>
<tr>
<td>
<p>9) Financial Assets Others -Note 2.14
(i) Amount recoverable Related Parties
a) BVPCL (Subsidiary Company) A/c Code 28.761</p>
<p>The Company has incurred expenditure to the tune of ₹7,122.11 Lakh (previous year ₹6,981.40 Lakh) as on 31st March 2021 for which shares has to be issued by the BVPCL. The above balance is subject to reconciliation and confirmation. Loan amount as per holding company is ₹60,923.84 Lakh while loan as per subsidiary is ₹65,577.70Lakh.</p>
<p>b) Amount Recoverable Himachal Pradesh Power Transmission Corporation Limited A/c code-28.773 and 28.919</p>
<p>The company has shown the following amount as recoverable from the HPTCL (Himachal Pradesh Power Transmission Corporation Limited) under the following account code.</p>
<table>
<tr><td></td><td></td><td>Current Year</td><td>Previous Year</td><td>Rupees in lacs</td><td></td><td></td></tr>
<tr><td>28.773</td><td>Settlement Account HPTCL</td><td>2,996.32</td><td>2,996.32</td><td></td><td></td><td></td></tr>
<tr><td>28.919</td><td>Other Deposits</td><td>7,408.00</td><td>7,408.00</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>10,404.32</td><td>10,404.32</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>
<p>The above amount is subject to reconciliation and confirmation. In the absence of confirmations we are unable to comment on the same. The HPTCL has not accounted for</p>
</td>
<td>
<p>a) It is submitted that the Company has provided complete year wise supporting documents/information against the expenditure incurred by the Units on a/c of electric component of Uhl Project (BVPCL). The detail has been provided to the Auditor during the course of Audit by the concerned field units. Hence, para may be dropped.</p>
<p>b) The amount of transmission line transferred to HPPTCL as per scheme has been reconciled with HPPTCL and amount shall be adjusted from receivable and payable to State Govt. after obtaining the approval of State Govt. The point noted for necessary action for appropriate classification in future. Hence, para may be dropped.</p>
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the amount recoverable shown by the company nor the same has been acknowledged by the HPTCL as liability towards the company. The Special secretary (Power) to the GOHP has directed both the companies vide letter dated 22/02/2017 to make adjustment entries in the books of both the company by adjusting with the equity realised by the GOHP in HPSEBL and HPTCL from time to time. No disclosure to the same has been made in the financial statements.
The Company has shown the amount under code 28.773 which is of non current nature and should be transferred to proper Head.
In our opinion as the HPTCL and GOHP is not acknowledging the Liability on account of CWIP costs which has been transferred to the HPTCL suitable provision should be made in the books of accounts. Thus other non current assets are overstated to the extent of above.

The Electrical Systems are showing the following amount recoverable from HPTCL which has not been recovered till the date of the audit also no disclosure of the same has been made in the notes to accounts

<table>
<tr><td></td><td>Account code 23.820</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Una</td><td></td><td>1.07</td><td>crores</td><td></td><td></td></tr>
<tr><td>2</td><td>Nahan</td><td></td><td>3.60</td><td>crores</td><td></td><td></td></tr>
<tr><td>3</td><td>Nalagarh</td><td></td><td>0.95</td><td>crores</td><td></td><td></td></tr>
<tr><td>5</td><td></td><td></td><td>5.62</td><td>crores</td><td></td><td></td></tr>
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<td>
ii) Expenses recoverable from Suppliers /Contractors (A/C Code 28.810).

The above head shows a sum of ₹161.42Lakh (previous year ₹177.44Lakh) as on 31st March 2021 which is subject to reconciliation and confirmation. In the absence of confirmations we are unable to comment on the same. Sufficient information has not been provided to us for
</td>
<td>
ii) Not agreed with the version of auditor's. The complete details of these expenses are available with all the DDOs of the Company and the amount is regular in nature and is being recovered regularly from concerned parties. Hence, para
</td>
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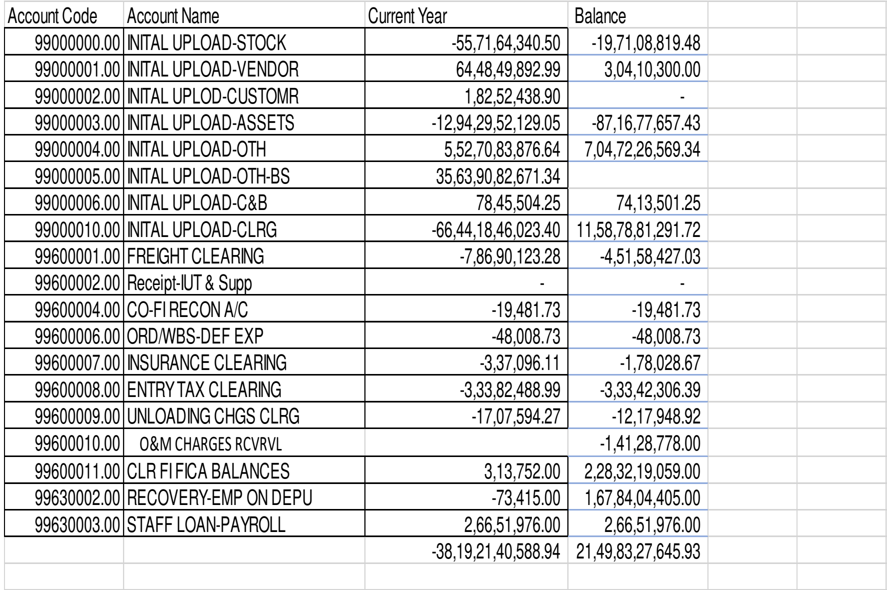
showing the same as current assets. **iii) Inspection charges related to material / equipment third party inspection (A/C Code 28.811).** The above head shows a sum of **₹170.64 Lakh** (previous year **₹111.64 Lakh**) as on **31st March 2021** which is subject to reconciliation and confirmation. In the absence of confirmations we are unable to comment on the same.	may be dropped. (iii) Statements of fact, efforts are being made to reconcile the balances.
10 Other Current Assets -Note 2.15 **Inter Unit Transactions** (i) The company is showing **₹ 32,682.04 Lakh** (previous year **₹6,214.76 Lakh**) on account inter unit transfers and the same has not been reconciled at the end of the year. It has been observed that the above practice of non reconciliation in inter unit accounts is pending since many years and same was not reconciled by the erstwhile Board and even by the Company. In our Opinion inter unit accounts are overstated to the extent of above. (ii) The Company has at the time of migrating the accounts to SAP has shown the following accounts as initial upload which has not been settled till date and no information in respect of the same is available with the accounting units and the same has been clubbed under the Head Inter Unit Transactions. The following are the details of the	(i) The point of the Auditors is noted for compliance. It is also submitted that Inter Unit Transfer (IUT) is a regular process and all accounting Units under HPSEB Ltd have been directed to reconcile the IUT accounts at earliest and to ensure the balance under IUT should be NIL at the end of financial year. (ii) The process to settle the balances in is process. Hence Para may be settle please.

same.



Account Code	Account Name	Current Year	Balance
99000000.00	INITAL UPLOAD-STOCK	-55,71,64,340.50	-19,71,08,819.48
99000001.00	INITAL UPLOAD-VENDOR	64,48,49,892.99	3,04,10,300.00
99000002.00	INITAL UPLOD-CUSTOMR	1,82,52,438.90	-
99000003.00	INITAL UPLOAD-ASSETS	-12,94,29,52,129.05	-87,16,77,657.43
99000004.00	INITAL UPLOAD-OTH	5,52,70,83,876.64	7,04,72,26,569.34
99000005.00	INITAL UPLOAD-OTH-BS	35,63,90,82,671.34	
99000006.00	INITAL UPLOAD-C&B	78,45,504.25	74,13,501.25
99000010.00	INITAL UPLOAD-CLRG	-66,44,18,46,023.40	11,58,78,81,291.72
99600001.00	FREIGHT CLEARING	-7,86,90,123.28	-4,51,58,427.03
99600002.00	Receipt-IUT & Supp	-	-
99600004.00	CO-FI RECON A/C	-19,481.73	-19,481.73
99600006.00	ORD/WBS-DEF EXP	-48,008.73	-48,008.73
99600007.00	INSURANCE CLEARING	-3,37,096.11	-1,78,028.67
99600008.00	ENTRY TAX CLEARING	-3,33,82,488.99	-3,33,42,306.39
99600009.00	UNLOADING CHGS CLRG	-17,07,594.27	-12,17,948.92
99600010.00	O&M CHARGES RCVRVL		-1,41,28,778.00
99600011.00	CLR FI FICA BALANCES	3,13,752.00	2,28,32,19,059.00
99630002.00	RECOVERY-EMP ON DEPU	-73,415.00	1,67,84,04,405.00
99630003.00	STAFF LOAN-PAYROLL	2,66,51,976.00	2,66,51,976.00
		-38,19,21,40,588.94	21,49,83,27,645.93

(iii) The Thalot Division of CE Generation has shown a sum of ₹ 21.89 lacs(previous year ₹ 21.89lacs) recoverable from NHPC since 2011 (BH 28.704) and the same has not been recovered till date. In our opinion the Provision for doubtful for recovery is required. Thus the expenditure is understated to the extent of above.	iii) It is intimated that the regular correspondence to recover the amount from NHPC is under process. Being a regular vendor of company, the provision for doubtful debts has not been made. We are in the process to recover the amount.
(iv) The Thirot Division of CE Generation has shown encashed bank guarantee of M/s SS JV projects as negative Balance amounting to ₹ 231.12 lacs (previous year ₹ 232.34 lacs) which has to be shown under the head Liabilities. Thus other current assets are understated to the extent of above and the Liabilities are also under stated to that extent.	(iv) It is intimated that the matter of encashment of BG amounting to ₹ 231.12 lacs in respect of M/s SS JV projects is under arbitration. The Company is liable to pay as and when final outcome received from apex court. Hence para may be dropped.

(v) The Thirot Division of CE Generation is showing ₹ 8.25 lacs recoverable from Contractor which has not been recovered since long and no provision for the amount doubtful of recovery has been made . Thus other current assets are overstated to the extent of above .	v) It is intimated that the regular correspondence to recover the amount is under process. Being a regular vendor of company, the provision for doubtful debts has not been made. We are in the process to recover the amount.
(vi) The Binwa Division of CE Generation has shown advance to suppliers as 50 percent advance paid amounting to ₹ 58.67 lakh(previous year ₹ 58.67lacs) in the year 2011 for the cost of the runners. The BG of the supplier has expired and the amount is doubtful of recovery. Thus the expenditure is understated to the extent of above.	(vi) The final decision has been received by the concerned unit from Arbitrator in favour of the company; now process to recover the said amount is in process through Hon'ble High Court, Shimla. As such company making efforts to recover the same, hence the same has not been considered as doubtful debts.
vii) The Jassur Division of the CE Transmission has shown a sum of ₹ 57.21 lacs(previous year ₹ 57.21 lacs)recoverable from Punjab Power Corporation which has not been recovered since Long. In our opinion the Provision for doubtful for recovery is required . Thus the expenditure is understated to the extent of above.	(vii) This recoverable amount has been rectified during the current financial year.
(viii) The Jeori Division of Project Division is showing a sum of ₹ 182 lakhs (previous year ₹ **182** lacs) recoverable from SSJV Ltd. The case is pending with court of law hence provision is required. In our opinion the expenditure is understated to the extent of above.	(viii) The accoutal of the pointed out amount is being done in the book of accounts as per the advice of Auditors.
(ix) The Jeori Division of Project Division is showing a sum of ₹ 16 lakhs recoverable HPPCL. The Amount has not been recovered since long hence provision is required. In our opinion the expenditure is understated to the extent of above.	(ix) It is intimated that the regular correspondence to recover the amount is under process.

(x) Refer Note no 44 No Provision has been made for the amount doubtful of recovery from the amount recoverable from the LKMS/ Sugam amounting to ₹ 2,204.51 lakhs (previous year ₹ 2,204.51 lacs). Thus Expenditure is understated to the extent of above.	(x) Amount is being rectified during current Financial year.
xi)Refer Note no 51 No Provision has been made for the amount doubtful of recovery on account of Commitment advance amounting to ₹ 145 lakh (previous year ₹ 145 lacs) as the projects are not feasible. Thus Expenditure is understated to the extent of above.	xi) Amount is being rectified during current Financial year.
xii) The PCA Chamba Division has shown Credit Balance of ₹ 1.83 Lacs on account of recovery made form the contractors. The Other current assets are under stated to the extent of above.	xii) Amount is being rectified during current Financial year
xiii) The PCA Chamba Division has shown a sum of ₹ 26.21 lacs recoverbales since many years and the same has not been recovered till date and no provision for the same has been made in the books of accounts. Thus Expenditure is understated to the extent of above.	xiii) The necessary provision will be made during the current Financial Year.
xiv) The Nahan Electric Division has shown a sum of ₹ 31.60 lacs as recoverable from Aravali Power Infra which is pending in the court of law and no provision for the same has been made in the books of accounts. In our opinion the other current assets are overstated to the extent of above.	xiv) The necessary provision will be made during the current Financial Year.
xv) The Operation circles has shown the following amounts as negative balances under the account Code 28813 which has not been transferred to the proper Head at the division level. The Head office has adjusted the whole of the amount by transferring the same to account code 47 without any substantive evidence. The following are the details of the	xv) Amount is being rectified during current Financial year

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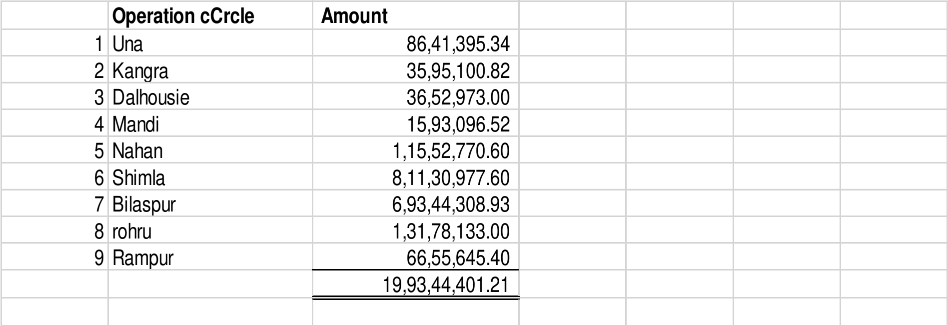
<td>same.

<table><tr><th></th><th>Operation cCrcle</th><th>Amount</th></tr><tr><td>1</td><td>Una</td><td>86,41,395.34</td></tr><tr><td>2</td><td>Kangra</td><td>35,95,100.82</td></tr><tr><td>3</td><td>Dalhousie</td><td>36,52,973.00</td></tr><tr><td>4</td><td>Mandi</td><td>15,93,096.52</td></tr><tr><td>5</td><td>Nahan</td><td>1,15,52,770.60</td></tr><tr><td>6</td><td>Shimla</td><td>8,11,30,977.60</td></tr><tr><td>7</td><td>Bilaspur</td><td>6,93,44,308.93</td></tr><tr><td>8</td><td>rohru</td><td>1,31,78,133.00</td></tr><tr><td>9</td><td>Rampur</td><td>66,55,645.40</td></tr><tr><td></td><td></td><td>19,93,44,401.21</td></tr></table></td>
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<tr>
<td>xvi) The Rohru division of Rohru operation circle is showing a sum of ₹ 14.49 lacs as credit balance in the account under the head 2877000 for which no details are available. In our opinion the income is understated to the extent of above.</td>
<td>xvi) The necessary rectification will be made during current Financial Year 2021-22. Hence para may be dropped please.</td>
</tr>
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<td>xvii) The Nalagarh Division of Solan operation circle is showing a sum of ₹ 86.86 lakhs as recoverable under the head under account Code 28872. The amount has not been recovered since many years and thus provision for the same is required. In our opinion the amount recoverable is overstated to the extent of above.</td>
<td>xvii) Efforts are being made to recover the amount. Hence para may be dropped please.</td>
</tr>
<tr>
<td>(xviii)The Nahan Division of Nahan operation circle is showing a sum of ₹ 67.15 lakhs as recoverable under the head under account Code 28810. The amount has not been recovered since many years and thus provision for the same is required. In our opinion the amount recoverable is overstated to the extent of above.</td>
<td>xviii) Efforts are being made to recover the amount. Hence para may be dropped please.</td>
</tr>
<tr>
<td>(xix)The Theog Division of Shimla operation circle is showing a sum of ₹22.10 lakhs as recoverable under account Code 28810. The amount has not been recovered since many years and thus provision for the same is required. In our opinion the</td>
<td>xix) Efforts are being made to recover the amount. Hence para may be dropped please.</td>
</tr>
</table>

amount recoverable is overstated to the extent of above. (xx) **Advances to Contractors and Suppliers: No** sub ledger has been made available to us. (xxi) The company showed **₹604.96 Lakh** (**Previous year ₹516.55 Lakh**) as loans and advances for supplies / works. The above advances also include advances which are old and require adjustments as the works has been completed at the close of the year and expenditure has not been booked. The company has not provided us any confirmations from the Parties for the amount due as such we are unable to comment on the above advances. The above advances have been shown as secured but no sufficient information in respect of the same has been provided. No Information in respect of noncurrent portion of advances has been shown for our verification. (xxii) The Company is showing a sum of ₹ 32.31 lacs as amount recoverable pending theft and investigation. No Provision for the same has been provided in the books of accounts. Thus other Current Assests are overstated to the extent of above.	**xx)** In the reply of para it is intimated that the sub-ledger is available at each filed unit level and version of the auditor is not acceptable. Hence para me be dropped please. xxi) In reply to the para, it is submitted that detail of advances given to suppliers/ contractors has been made by the concerned executing authorities. Hence the version of the audit is not acceptable. xxii) In this regard it is submitted that pending theft and investigation recoverable amount will be write off/ set righted after the receipt of sanction from competent authorities when material found untraceable and then the provision of the same be made in the books of accounts. Hence version of the audit is not acceptable.
11 Other Equity Note No 2.17 The Capital Reserve according to Ind AS has to be shown under the head current Liabilities. Thus Other Equity is overstated to the extent of **₹1,212.05** lacs and similarly the non current liabilities are also under stated to that extent.	Will be rectified during current year.
12 **Non Current Liabilities- Financial Liabilities-Borrowings (Note 2.18)**	12(i) (a) In this context, it is submitted that Company

(i) Loans under APDRP Schemes Part A and B (a) The company has taken loans from APDRP (Part A) scheme amounting to ₹2,648.16 Lakh (previous year ₹ 2,648.16 Lakh) towards 100% financing of its approved projects which is subject to a condition requiring that projects to be completed within five years (extended up to 30th September 2017) of the awards with 100% conversion of loan along with interest into grant else otherwise the same will be treated as loans and interest will be paid on them. Please refer Note no 9 which states that the PFC is not charging the interest and nor demanding the repayment of the principal since 2020-21 and till date no demand has been made by the PFC we are of the opinion that the sufficient compliance for converting the loan into Government Grant has been made .	has availed loan of Rs. 87.10cr under the RAPDRP-A Scheme and the outstanding balance of the scheme as of 31.03.2020 was Rs 26.48 Cr. Further, PFC Limited is showing the said amount as loan as per the balance confirmation certificate as of 31.03.2021.Moreover, the said grant is initially offered as grant and shall be converted after meeting certain criteria and closure of the scheme does not guarantee the conversion of the said loan into grant. Therefore, the same has been shown as loan and will be recognized as loan till the same is converted into grant by the GoI.
Para 7 and 8 of the IND As20 **Accounting for Government Grants and Disclosures thereof** which states that: - ***"7 Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:*** ***(a) the entity will comply with the conditions attaching to them; and*** ***(b) the grants will be received.*** ***8 A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the entity will comply with conditions attaching to it , and that the grant will be received .Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled."***	In this context, it is submitted that Company has received the loan with the condition from the Govt. as per notification of GOI . The loan amount shall be converted into grants when the other terms and condition are achieved in the specific time period. As and when the schemes are closed and GOI/ FI allow to convert the amount into grants, necessary accounting adjustment shall be made in specific year. Hence para may be dropped.

In our opinion the sufficient compliance for getting the assistance has been done by the company and the loan should be treated as Government Grant as per the requirement of Ind As 20. Thus Grants are understated to the extent of above and similarly the loans are also overstated to that extent.	
(b) The company has taken loans from APDRP (Part B) scheme amounting to **₹ 19,702.15 Lakh** (previous year **₹ 19,645.27** Lakh) towards 100% financing of its approved projects which is subject to a condition requiring that projects to be completed within five years (extended up 31.03 2018) of the awards with 100% conversion of loan along with interest into grant else otherwise the same will be treated as loans and interest will be paid on them. Refer Note No where in it is stated that the formal request to convert the loan into grant has been made by the company.	(b)Statement of the facts, hence no comments.
(c) The sanction letter stipulates the moratorium of principal and interest during moratorium period. The Company has made provision for the interest on loan amounting to **₹10,836.70 Lakh (P.Y ₹11,279.89 Lakh)** in the books of account on provisional basis up to 31st March 2021 and the same is subject to confirmation.	(c) Statement of facts.
(ii) Loans under ADB though GOHP Scheme The Company has taken loan under the scheme from the state Government under ADB Loan amounting to **₹1,289.77 Lakh** (previous year**₹1,289.77 Lakh**). As informed by management the government has not yet provided the terms and conditions of the loan and the payment of interest there on. The Impact of government assistance in the nature of interest less then market rate since the inception of the loan has not been accounted for as per the IND As 20. No information in respect of the same has provided to us.	(ii) In this context, it is submitted that the loan availed from ADB through State Government is being charged at 9% which is more or less is in line with the market rate and therefore there is no need to recognize the government assistance.

(iii) Uday Loan We invite attention to Note No 41 where in it is stated that the State Government has transferred the proceeds of the Uday Bond to the company at average rate of interest 7.85 %. The Company has not accounted for the Government Assistance on account of difference in the interest rates in the Market and Uday Bond rate. The Note further states that the company is making annual savings of ₹ 91.32 crore and a total saving of ₹ 365.28 crore has been received by the Company as revenue grant from government which has not been accounted for in the books of accounts as per IND As 20. In our opinion interest paid and revenue grant is understated to the extent of ₹ 91.32 crore during the year under review.	(iii) It is submitted that the Company has shown sufficient disclosure of the tentative savings of the loan restructured under UDAY scheme. Further, Company recognizes the Govt. loans strictly as per the terms and conditions decided by the State Govt.
(v) **Loan under RGGVY and APRDP State Government Loan** Refer Note No 9 which states that the loan amounting to ₹ 1910.77 lacs will be converted by the State Government into equity under the FRP Schemes. The Company is not charging the interest on the loan. In our opinion the interest at market rate should be charged in the nature of Government Assistance as per IND As 20. Thus in our opinion a sum of ₹ 152.86 lacs has been less charged on the basis of 8 % average coupon rate and total saving of ₹ 305.72 lacs for the year 2019-20 and 2020-21 . Similarly Government grant is also understated to that extent. The details regarding the benefit of interest to the company in earlier years and its affect on the amortisation of the grant has not been provided us. In the absence of information we are unable to comment on the same.	**(v)**It is submitted that the said loan of Rs.19.11 Cr(RGGVY Rs5.00 Cr and APDRP Rs14.11 Cr) was given without any terms and condition. Further, State govt. vide letter no.MPP-C(3)-8/88-III dated 29.01.2014have agreed to convert the said amount into equity or to defer the same till repayment of the loans under FRP Scheme. Further, the restructured loans under FRP have been further restructured under UDAY scheme. However, Company is requesting the State Govt. to convert the said amount into equity through budget demands. Further, Company recognizes the Govt. loans strictly as per the terms and conditions decided by the State Govt.

13 Non Current Liabilities- Financial Liabilities -Other Financial Liabilities (Note 2.19) **(i) Deposits, Retention Money from Contractors and Others** We report that, an amount of **₹ 12,722.52 Lakh**(previous year **₹9,744.12 Lakh**) appeared as Deposit in Shape of Deposits, Retention Money from Contractors and others Accompanying schedules and details in Sub ledgers for the same was not provided to us. These Balances are subject to confirmation and reconciliation at Divisions and Unit level. In the absence of complete information we are unable to comment on the Current and Non Current Portion of these deposits and Retention Money. Internal Controls in respect of such deposits seems weak and Subsidiary records to verify the same were inadequate at unit levels.	(i) The relevant record of customer-wise Security Deposit, retention Money and interest payable thereon is available in Operation Circle/ Sub Divisions of the Company. As regards confirmation of balances outstanding, the Units have been directed to reconcile the outstanding balances, subsidiary records of security deposit & retention Money with the concerned parties.
14 Non Current Liabilities- Financial Liabilities -Provisions (Note 2.20) **(i) Leave Salary Payable** The Company has not made provision of Leave salary payable to present employees as per the requirements of IND- **AS 19- Accounting for Employees Benefits .** As explained by the Company the estimated liability on account of leave salary at end of the year **is ₹29,215.45 Lakh** (**P.Y ₹30,365.25Lakh**) against which the company has created reserve fund of **₹ 8,212.04 Lakh. (₹ 7,200.13 Lakh)** .Thus in our opinion the long term provisions are understated and expenditure is overstated to the extent of **₹21,003.41Lakh** (P.Y **₹23,165.12Lakh**).**No certificate from actuarial** taken, amount is as per management Estimate.	(i) The company had made provision @2% from FY 2013-14 onwards as per requirement of IND-AS19 and at the end of the year Rs. **29,215.45** Lac. Had been provided.

(ii) Gratuity Payable to Employees The Company has not made provision of gratuity payable to present employees as per the requirements of IND- **AS19- Accounting for Employees Benefits .** As explained by the Company the estimated liability on account of gratuity at end of the year is **₹47,259.04 Lakh** (previous year ₹**54,657.15**Lakh) against which the company has created provision of ₹11211.31 Lakh (previous year ₹9791.32Lakh) . Thus in our opinion the long term provisions are understated to the extent of ₹36047.73 Lakh (previous year ₹44,865.83Lakh.) **No certificate from actuarial** taken, amount is as per management Estimate. **(iii) Pension Payable to Employees** The Company has not made provision of pension payable to present employees as per the requirements of IND- **AS19- Accounting for Employees Benefits .** As explained by the Company The estimated liability on account of Pension at end of the year is **₹ 107,042.15** Lakh (Previous Year **₹125,072.64 lacs**) against which the company has created provision of **₹9,052.49 Lakh** (**Previous Year ₹7,920.93Lakh)** .Thus in our opinion the long term provisions are understated & profit overstated / loss understated. to the extent of **₹97,989.66Lakh (Previous year₹117,151.71Lakh) .No certificate from actuarial** taken, amount is as per management Estimate.	(ii)The company had made provision @2% from FY 2013-14 onwards as per requirement of AS-AS19 and at the end of the year an amount of Rs. **47,259.04** Lac had been provided. (iii) The company had made provision @2% from FY 2013-14 onwards as per requirement of AS-AS19 and at the end of the year an amount of Rs.**1,07,042.15Lac** had been provided.
15 Non Current Liabilities- Financial Liabilities -Other non current Liabilities (Note 2.21) i) **Capital Reserves/Capital Grants from GOHP & GOI** (a) During the year under review the Company has **Amortized ₹9,858.08 lakh (Previous Year 8935.85 lakh)** on the assets created from Government Grants and Consumer Contribution. The Amount of Amortization has been arrived at	Statement of the facts, hence no comments.

after applying the Depreciation Rates on the cost of such assets on yearly basis as per the accounting policy on depreciation refer Note	
The Company has no system in Place where the assets can be identified as if these were created from Government Grants / Consumer Contribution. There is no Fixed Assets Register from where the cost of these assets along with date of it being put to use can be verified. The company has arrived at the cost of these assets on Adhoc basis where it has capitalized the Grant received to particular year in which it was received without verifying the actual creation of the assets and without having sufficient records to verify the actual cost of bringing the asset to use along with the date of it being put to use. It was also observed that in many Divisions the amount of Consumer Deposits was not transferred from Account Code 47 to Account Code 55 in the absence of Completion certificates therefore assets created from government grants etc are subject to reconciliation &confirmation.	In reply to this para, it is submitted that sufficient detail of assets created from loans and Govt. grants is available with Divisions and the Fixed Assets Register (FAR) of all unit has been prepared by the Company and shown to the Auditors. The amount of Consumer Deposits has been transferred from Account Code 47 to Account Code 55 after assets are put to use and completion certificates issued by the concerned Engineer. However, efforts are being made to reconcile the assets created from Central/ State Govt. Grants. Hence para may be dropped.
(b) Assets created from loans under Government Schemes. The Company and erstwhile Board have created assets under various Central Government and State Government schemes financed by government agencies. The assets created from such schemes are subject to reconciliations and confirmations. The Company has not disclosed the nature and extent of government grants recognized in the financial statements including grants of	In reply to this para, it is submitted that sufficient detail of assets created from loans and Govt. grants is available with Divisions. However, efforts are being made to reconcile the assets created from Central/ State Govt. Grants. The government grants recognized in the financial statements in monetary terms and no assets in the shape of non-

non monetary assets given at a concessional rate or free of cost. Asset corresponding to this reserve is un-identified and also depreciation on such asset is subject to reconciliation.	monetary assets given at a concessional rate or free of cost by the Govt. Hence the version of audit that the assets corresponding to this reserve is un-identified and also subject to reconciliation is not accepted. Hence para may be dropped.
(ii) Non refundable advances from industrial consumers for infrastructure development charges The erstwhile HPSEB and the company have received Non refundable advances from industrial consumers for infrastructure development charges from consume₹ The company has received **₹27,500.45** Lakh (previous year **₹25,019.20**Lakh) under the above head up to 31st March 2021. In our opinion the other long term liabilities are overstated to the extent of above as they are not payable to the consumers and is part of the revenue of the company and income of the company is understated to that extent.	In the reply of para it is intimated that Non refundable advance from industrial consumers for infrastructure development as per the HPERC Regulation and are being used / utilization as per the regulation. The version of the audit to consider these amount revenue income are not acceptable. Hence para may be dropped.
(iii)Deposits for Electrification Services Connections Account The above account code showed a sum of **₹69,496.87 Lakh** (previous year **₹68,969.61Lakh**) on account of deposit amount received from consumer for **Electrification Services Connections** and other charges as at **31st March 2021.** The company has not provided the details of the amount received under different sub heads under above head. As per the practice of erstwhile board the amount kept under this head is transferred to grants and subsidies head when the work of the assets to be created from deposit work is completed.	In the reply of para it is intimated that the detail of deposits for electrification services connections account is available at each filed unit level and version of the auditor is not acceptable. Hence para me be dropped please.
iv) **Power Availability Certificate Fees Account Code 47314** The Company has received the Power Availability Certificate fees from the Consumers amounting to ₹ 16,144.62 lacs but the same has not been charged to proper Head by the sub divisions No Sufficient information in respect of the same has	Necessary rectification entries will be made during the current financial year.

been provided to us. a) The subsidiary records at the divisions level is pending for reconciliation as at 31st March 2021. We have not been provided with the following information's by the Divisions. (b) The details of those works where the work has been completed and the amount from deposit has not been transferred to the consumer contribution towards the cost of the capital assets. (c) The details of the parties from whom full amount has not been received for the deposit work completed till **31st March 2021**. (d) The details of parties from whom full amount has been received but no work of deposit work has been done till **31st March 2021.** In the absence of information we are unable to comment on the amount kept under this head of account. It has been observed that in some divisions the consumers has deposited only the departmental charges and deposit work has been done by the consumer by their own. The charging of the departmental charges to revenue and charging of the value of fixed assets created and creation of reserves is subject to confirmations and reconciliations.	a) to (d) In the reply of para it is intimated that the subsidiary record is available at each filed unit level and version of the auditor is not acceptable. Hence para me be dropped please.
16 Current Liabilities- Financial Liabilities -Borrowings (Note 2.22) **Overdraft and Cash Credit from Banks** (i)We invite attention to note no 2.22 where the Company has obtained Overdraft facility/ Loans of **₹5,556.83**Lakh (previous year **₹1,308.70 Lakh)** against GPF Fixed Deposits which has been utilized for operations ,Which in our opinion	Statement of the facts. However, the Company has now created GPF Trust, which shall start functioning from next financial year at its own. Hence Para may be dropped.

<table>
<tr>
<td>should not have been taken and a trust for GPF already created ,these funds should be transferred to trust as it is not legal to take loan secured against GPF of employees.

(ii) While Verifying the Bank reconciliation statements of the Overdraft account it has been observed the accounts has not been reconciled since long an after keeping the 3 months cheques not presented for payment the overdraft account is overstated by ₹ 340.59 lacs and correspondingly the expenses are overstated by above amount.
<table>
<tr><td>Balance as per our books.No-27</td><td>-55,56,83,403.05</td></tr>
<tr><td>Amount Excess Debited By Bank</td><td>6,95,89,811.68</td></tr>
<tr><td>Amount Less Debited By Bank</td><td>4,11,59,666.07</td></tr>
<tr><td>Cheques issued but not presented</td><td>7,22,12,643.00</td></tr>
<tr><td>Balance as per Bank Account Statement.</td><td>-51,19,00,905.66</td></tr>
</table></td>
<td>

ii) Statements of facts, hence no comments.</td>
</tr>
<tr>
<td>17 Current Liabilities- Financial Liabilities – Trade Payables (Note 2.23)

i) Liability for Purchases Capital and Others

(a) The above account code shows a sum of ₹22,654.05Lakh (Previous Year ₹ 19,543.29 Note 2.23 payable as liability on account of capital materials O & M Supplies/ Works. The Subsidiary record in respect of the below mentioned accounts codes at division level is not reconciled. The above liabilities are subject to confirmations from the Parties.

(b) It has been observed that divisions charge full liability of the bills of the suppliers when the materials are received. However in some case the bills are not fully passed by the Head Office and certain deductions on account of liquidity damages and price differences etc. from the final bills is</td>
<td>17(i)(a) The outstanding liability shown on accounts of capital material /O&M suppliers/ works are current in nature , sufficient information is available in our Divisions and the party wise reconciliation of the same is being done.

17(i)(b) Its submitted that divisions offices, full liability of the bills of suppliers are created when the material is received, as per accounting procedure adopted by the Company. The deduction made by the head office on account</td>
</tr>
</table>

being made. All such deductions which are done by the Head Office and not accounted for by the divisions may affect the other current liabilities and income of the company. In the absence of information we are unable to comment on the same. (c) In certain cases the payment of bills of the suppliers are to be made in phases on some percentage basis and will not be due at the end of the financial year. The Divisions has booked the bills with the full amount and no bifurcation has been made for current and noncurrent liability. In the absence of the information we are unable to comment on the same. (d) It has been observed that where the payments has been made by the CPC up to 31st March 2021 and the ATD for the same has been raised by them to the divisions the same has not been reconciled by the CPC department with the divisions on year to year basis. In the absence of the reconciliations we are unable to comment the amount of liabilities shown by the divisions. (e) The Account code relating to 42.10 and 43.10 need to be reconciled. It has been observed that negative entries are shown under these heads and the clearing of payments are not linked. Old outstanding are carried forward since many years. In the absence of proper reconciliation we are unable to comment on the same.	of LD is revenue income of the Company and charged under the concerned head of accounts. The Auditors has not specifically mentioned the name of the unit in which this has not accounted for. Hence Para may be dropped. 17(i)(c) The point has been noted for future compliance in FY 2022-23. 17(i) (d) All the Units/ divisions have been directed to reconcile the ATDs with CPC Section on quarterly basis and to ensure that there should be Nil balances at the year end. Hence Para may be settled **16(i)(e)** (i) The Company is making efforts to reconcile the amount from subsidiary books of accounts and the rectification shall be done in current financial year.
18 Current Liabilities- Financial Liabilities - Other Financial Liabilities (Note 2.24) **i) Earnest Money Deposits from Suppliers and Contractors** The above account code shows a sum of **₹3,382.10** Lakh	(i) The Company is making efforts to reconcile the amount of EMD from subsidiary books of accounts

<table>
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(Previous Year **₹3,505.25 Lakh**) payable as earnest money deposits from suppliers and contractors The subsidiary records in respect of above are pending for reconciliations at division level.

<table>
<tr><th>Particulars</th><th>A/c Code</th><th>Current Year</th><th>Previous Year</th></tr>
<tr><td>Earnest money deposits – Capital</td><td>46.103</td><td>3,127.12</td><td>2,839.67</td></tr>
<tr><td>Earnest money deposits – O&M</td><td>46.123</td><td>254.98</td><td>665.58</td></tr>
<tr><td>Total</td><td></td><td>3,382.10</td><td>3,505.25</td></tr>
</table>

In the absence of reconciliations/details /confirmation, we are unable to comment on the authenticity of the amount payable.

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and the reconciliation shall be shown in current financial year.

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ii) Sundry Creditors for Expenses

The above account code shows a sum of **₹1,209.19 Lakh** (previous year **₹1,402.98 Lakh**) payable to different parties is subject to confirmation as at **31st March 2021.** In the absence of information we are unable to comment on old liabilities which are to be charged to the revenue and may affect profit and loss account and the balance sheet.

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(ii) The detail of this expense is available with all DDOs of the Company and these liabilities are recurring in nature and discharged regularly. Therefore, these are no old liabilities. However, the same shall be scrutinized in detail and appropriate action shall be shown during the audit of current financial year.

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iii) Liability on account cheques outstanding others/ stale Cheques (A/c code 46.910)

The company showed a sum of **₹ 1,731.02 Lakh** (previous year.**₹902.23 Lakhs**) under the Head stale cheques. No information in respect of the same has been provided by the company. In our opinion the other current liabilities are overstated and income is understated to sum of **₹1,731.02** Lakh.

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(iii) Necessary rectification is being done in current financial year accounts. Hence Para may be settled.

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iv) Account Code 4400000 Staff Related Liabilities

The Above account includes old outstanding liabilities which has not been settled and linked with the payments. In our opinion the account to be reconciled and the amount which is not payable should be written back. No Sufficient information for the same has been provided by the divisions during the course of audit. In the absence of information we are unable to comment on the same.

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iv) Necessary rectification is being done in current financial year accounts. Hence Para may be settled.

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v) Unclaimed Credit Balance A/c code 46.927

The Company is showing **₹ 444.51 Lakh** (previous year **₹444.51 Lakh**) as unclaimed credit balance as at **31st March 2021.** The company has not provided information in respect of the same. In our opinion the Liability is overstated to the extent of above

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(v) The above amount was misclassification and correction has been made in FY 2021-22 accounts by the SE (OP) Circle, Solan. Hence, Para may be settled.

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vi) Deductions from Employees (A/c Head 44) & 46.9 are subject to reconciliation & adjustments at Division level.

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(vi) Statements of facts, hence no comments.

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<td>

vii) Amount Received against Burnt Meter and other Misc Deposits 46.701 ,46.702 and 46.703

The Company has received the amount on account of burnt meters and other deposits from the customers which has not been charged to the revenue.

<table>
<tr><td></td><td></td><td>Current Year</td><td>Previous Year</td></tr>
<tr><td>Deposits received against burnt meters</td><td>47.601</td><td>28,34,347.00</td><td>18,80,567.00</td></tr>
<tr><td>Miscellaneous deposits from consumers</td><td>47.603</td><td>19,69,18,290.00</td><td>6,62,171.00</td></tr>
<tr><td></td><td></td><td>19,97,52,637.00</td><td>25,42,738.00</td></tr>
</table>

The Income is understated to the extent above.

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(vii) It is submitted that the cost of burnt meters and other miscellaneous receipts has been charged to revenue head during 2020-21.

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(viii) The Bawa Nagar of the CE Generation has shown amount payable to the suppliers amounting to ₹ 179.00 lacs (previous year ₹ 179.00 lacs) since 2010 not settled till date. In

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(viii) This amount has been settled during FY 2021-22, hence Para may be settled.

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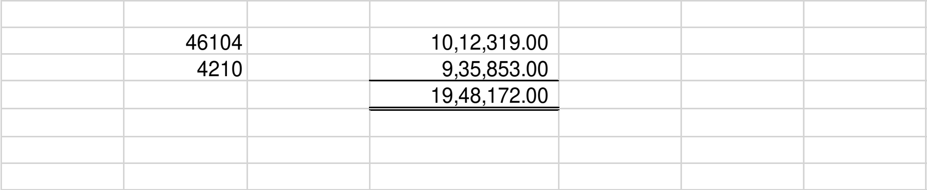
</table>

our opinion the liabilities are overstated to the extent of above.	
(ix) The Ed2 Division of Shimla Operation circle has debited the provision account on 31st March 2021 instead of crediting the provision account thus the Liability under the Head 46430 is showing debit balance of ₹ 65.14 lacs. The Liability has to be provided for ₹52.61 lacs . Thus Expenditure is understated to the extent of ₹ 105.22 lacs.	(ix) The necessary rectification entries will be done during the current Financial Year 2021-22. Hence para may be dropped please.
(x)The Ed2 Division of Shimla Operation circle is showing debit balances in 47312 account code deposits work which has not been adjusted with the deposits account. No Information and explanation in respect of the same has been provided to us.	(x) The necessary rectification entries will be done during the current Financial Year 2021-22. Hence para may be dropped please.
(xi) The Rampur electric Division has shown Net salary payable amounting to ₹ 21.14 Lacs for which no details are available. In our opinion the liability is overstated to the extent of above.	(xi) & (xii) In the reply to para it is submitted that the detail of liability is available with the concerned field unit and the version of audit is not acceptable. Hence para may be settled please.
(xii) The Anni electric Division has shown Net salary payable amounting to ₹ 12.46 lacs(Previous year ₹ 21.66 lacs) for which no details are available. In our opinion the liability is overstated to the extent of above.	
(xiii) The Theog Electric division has shown debit balance in the account code 47.301 amounting to ₹ 20.37 lacs (Previous year ₹ 20.37 lacs)for which no details are available. In our opinion the expenditure is understated to the extent of above.	(xiii) The debit balance amounting to Rs. 20.37lacs will be rectified during current period. Hence para may be dropped please.
(xiv)The Chopal Electric division has shown debit balance in the account code 46.430 amounting to ₹ 23.19 lacs (Previous year ₹ 20.37 lacs)for which no details are available. In our	(xiv) The debit balance amounting to Rs. 23.19 lacs will be rectified during current period. Hence para

opinion the expenditure is understated to the extent of above.	may be dropped please.
(xv)The Theog Electric division has shown debit balance in the account code 46.410 amounting to ₹ 10 lacs for which no details are available. In our opinion the expenditure is understated to the extent of above.	(xiv) The debit balance amounting to Rs. 10 lacs will be rectified during current period. Hence para may be dropped please.
(xvi) The Maintenance Division Head Office has provided excess provision amounting to ₹ 84.68 lacs under the Head 46.430. Thus current liabilities are overstated to the extent of above.	(xvi) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xvii)The Gaj and Baner RE of Generation wing is showing Liability of ₹ 17.26 lacs under the head 43.1 which has not been paid since long. In our opinion the current liabilities are overstated to the extent of above.	(xvii) In reply to the para it is submitted that liability against block head 43.1 will be cleared on the receipt of invoices from concerned contractor/ suppliers or will be adjusted/ rectified during current financial year.
(xviii)The Hamirpur Electrical systems Division of has debited the provision of expenses amounting to ₹ 71.73 lacs on 31st March 2021 to account code 42.1 instead of expenditure account . Thus expenditure is understated to the extent of above.	(xviii) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xix) The Nalagarh electrical Division is showing debit balances in the party accounts under the Head 42.10 and 46.104  46104 10,12,319.00 4210 9,35,853.00 19,48,172.00 In our opinion the liabilities are understated to the extent of above and also the expenditure is understated.	(xix) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.

(xx)The Gumarhavi division of Bilaspur Operation circle is showing ₹ 23.08 lacs under the head 4210000 Liabilities for supplier as Debit Balance. Thus Current Liabilities are understated to the extent of above.	(xx) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xxi)The Parwanoo division of Solan Operation circle is showing ₹ 37.71 lacs as debit balance in advance from customers account code 46934000 for which no details are available. Thus Advance from customers is understated to the extent of above.	(xxi) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xxii)The Baddi division of Solan Operation circle is showing ₹ 16.00 lacs as debit balance in code 46410 for which no details are available. Thus Liabilities are understated to the extent of above is understated to the extent of above.	(xxii) The necessary rectification on account of excess provision will be set righted during current financial year. Hence audit is requested to settle the para please.
(xxiii) 48.1 Security Deposits from Consumers The Divisions of operation circles have not reconciled and balanced the customer-wise Security Deposit received and interest payable thereon. No sufficient records and reconciliation of subsidiary records confirming the balance outstanding has been made available to us, therefore, we are unable to comment on the amount outstanding as Security Deposits to customers and accordingly interest accrued thereon An amount of **₹44034.43 Lakh**(previous year**₹41,537.00 lacs**)appeared in this account code. The amount is subject to reconciliation and confirmation since subsidiary records maintained at division level is not reconciled with amount reflected in A/c code 48.1	(xxiii) Complete detail & subsidiary register of Customer-wise Security Deposit received in Electrical Sub Division and interest payable thereon are available with respective sub division. The version of the auditor to No sufficient records and reconciliation of subsidiary records confirming the balance outstanding has been made available to him is denied. Hence Para may be dropped.
(xxiv)Amount payable for Employees General Provident Fund (GPF) We report that, contribution towards Provident Fund	**(xxiv)** In reply to this para it is submitted that the Company has neither obtained registration with `Employer's Provident Fund Authorities' nor exemption for creation of Trust as specified in

collected from employees have been retained and invested in Fixed Deposits with Banks by the Company. The Company has neither obtained registration with `Employer's Provident Fund Authorities' nor exemption for creation of Trust as specified in Employer's Provident Fund Act, 1952 and scheme framed there under. The Company has shown the same under other long term liabilities after netting off the investment made in the banks on account of GPF investments.

The amounts payable/ recoverable to employees GPF are subject to reconciliation and confirmations.

During the year under review, the Company has neither made own contribution nor has made provision for same in these financial statements. The amount of contribution of employer's share is subject to confirmation by Company.

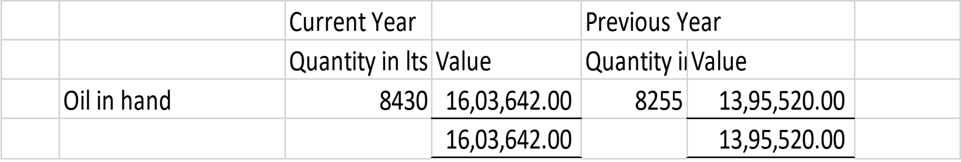
The following is the position of Assets and Liabilities of the employees GPF at the close of the year and should be transferred to a trust and separate accounts of the same should be prepared as the same is not part of the accounts of the Company.

	Amount in lacs	
	Current Year	**Previous Year**
Assests		
Investments in Fixed deposits of Banks	30,844.41	56,289.97
Interest Accured on Investments	2,373.68	1,761.12
Recoverable from HPSEB Limited	1,831.31	15,214.31
	35,049.40	**73,265.40**
Liabilities		
Members Account	35,049.40	73,265.40
Excess of Expenditure over Income	-	-
Payable to HPSEB Limited	-	-
	35,049.40	**73,265.40**

Employer's Provident Fund Act, 1952 and scheme framed there under but the Company has been created the GPF Trust and get the exemption from Income Tax Authorities. The Company has shown the same under other long term liabilities after netting off the investment made in the banks on account of GPF investments as per the requirement of the Ind AS/ Companies Act. The entire amount shall be deposited in GPF Trust in next year's as per the condition of GPF Trust.

We further report that liabilities and corresponding assets transferred from Board to Company have not been deposited with GPF or Trust. In terms of information and explanations given to us, the Company has accumulated total contribution of **₹35049.40 Lakh** (previous year **₹73,265.40 Lakh**) and has deposits there against a sum of **₹30844.41Lakh** (previous year ₹**56,289.97 6Lakh**) which has resulted in amount recoverable form company amounting to **₹1831.31Lakh (previous year ₹15,214.31 lacs)**. In our opinion, the said assets and liabilities do not relate to Company and sum of **₹1831.31 Lakh(previous year ₹15,214. lakh)** is payable to General Provident Fund (GPF). We further report that the Company has obtained Overdraft facility of **₹22,742.79 Lakh**. (Previous year **₹3269.27 Lakh**) against GPF Fixed Deposits which has been utilized for operations. (Refer Note 28)	
(xxv) Interest accrued on Consumer Security Deposit The company has provided interest on security deposits of consumers amounting to **₹2,060.42Lakh** (Previous Year **₹1,818.87Lakh**) during the year under review. The provision made is subject to reconciliations and confirmations.	(xxv) In reply to para the provision of interest accrued on Consumer Security Deposit on the basis of banker's/ HPERC rates and same has been generated through SAP ERP on the consumer security deposit. Hence the version of audit for reconciliation and confirmation is not accepted.
(xxvi) The Kangra Circle has not made provision of the interest on security Depsoits to consumers for the year under review	(xxvi) The provision for the same will be made in the current financial year. Hence audit is requested to settle the para please.

18 **Current Liabilities- Short Term Provisions (Note 2.26)** **i) 46.430 Provision for Liability of Expenses** The provision of **₹1,748.35 Lakh (Previous Year ₹ 3,887.68 Lakh)** made by the company on account of liability of expenses is subject to confirmations and reconciliations details not available. (ii) The Shimla ED 1 and Chopal division of Shimla Circle has not made provision on account of Provision of Expenses and no information in respect of the same has been provided to us . In the absence of information we are unable to comment on the same. (iii) The Head Office has not made provision for expenses amounting to **₹ 843.89** lacs which has been paid after the close of year till the approval of the Balance sheet.	(i) Statements of facts, hence no comments are required. (ii) Statements of facts, hence no comments are required. (iii) Statements of facts, hence no comments are required.
19)Statement of Profit and Loss Account **i) Re-allocation costs of Employees and Repair and Maintenance to Capital works** The method and basis of reallocation of employee costs and repair and maintenance costs to capital works has not been informed to us. **(ii) Repair and Maintenance Power House** It has been observed that the RE's in Generation circle are charging the cost of Servo oil to the expenditure when the same has been purchased and transferred to the Power House. The Servo oil in hand at the close of the year has not been shown as consumables in hand . The following are the details of the same.	(i) The method and basis of reallocation of employee costs and repair and maintenance costs to capital works has been done as per company policy and as per regulation of HPERC. Hence Para may be dropped please. (ii) Statements of facts, hence no comments are required.



	Current Year		Previous Year	
	Quantity in lts	Value	Quantity ii	Value
Oil in hand	8430	16,03,642.00	8255	13,95,520.00
		16,03,642.00		13,95,520.00

Thus expenditure are overstated to the extent of₹16.03 lacs and correspondingly the consumables are understated to that extent.	
(iii) Repair and Maintenance Lines Cables and network The City Division of Shimla Division has booked a sum of ₹ **41.63** lacs as repair and overhauling charges of Transformers during the year under review. As per IND As only routine repair maintenance are allowed as expenditure of revenue nature and other expenses have to be amortised during the use full life of the assets. Thus expenditure is overstated to the extent of above during the year under review	(iii) In reply to this para it is submitted that point relates to the field units and necessary adjustment of the same shall be made in next year after verification of the facts.
(iv) Transmission Charges The Company has made provision of ₹ 2200 lacs as provision for Transmission Charges payable to HPTCL. It has been observed that the above amount includes a sum of ₹1851 crores pertains to the accounting period for the year 2017-2020. No provision for the same has been provided in earlier years. Thus current year expenses are overstated to the extent of above.	(iv) Statements of facts, hence no comments are required.
v) Legal Charges The Company has booked deposit with court amounting to ₹ **22.69 lacs(Previous Year₹ 36.48**)lacs as Legal expenses which has to be shown under the Head Deposit with courts. Thus Expenditure is overstated to the extent of above and Deposits are understated to that extent.	(v) The concerned unit has advised to not repeat such irregularities. Point noted for future, hence Para may be dropped please.

<table>
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vi) Licensee Fees HPREC

The Company has deposited the License fees for the FY 2021-22 amounting to **₹ 131.00 lacs** and charged to the expenditure. In our opinion the expenditure should be booked under the head prepaid expenses. Thus the Expenditure is overstated to the extent of above.

</td>
<td>(vi) Point noted for future, hence para may be dropped please.</td>
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<td>

vii) Miscellaneous Expenditure 76.190

During the course of audit it has been observed that the divisions in the following operation circle are charging the expenditure in the above head for those expenditure for which regular accounting Heads has been prescribed. In our opinion this head should be operated in those cases where proper accounting head has been prescribed and the units should ensure that minimum expenditure should be accounted for in the above head.

<table>
<tr><td>Kangra</td><td>5,57,781.00</td><td>5,77,711.00</td></tr>
<tr><td>Bilaspur</td><td>4,43,070.00</td><td>4,13,695.00</td></tr>
<tr><td>Solan</td><td>7,24,461.00</td><td>7,40,877.00</td></tr>
<tr><td>Shimla</td><td>1,74,440.00</td><td>6,69,024.00</td></tr>
<tr><td>Nahan</td><td>4,07,095.00</td><td>4,60,409.00</td></tr>
<tr><td>Kullu</td><td>6,30,802.00</td><td></td></tr>
<tr><td>CE SO</td><td>6,06,349.00</td><td></td></tr>
<tr><td></td><td>50,89,220.00</td><td>41,93,030.00</td></tr>
</table>

</td>
<td>(vii) The concerned field units have advised to not repeat such irregularities. Point noted for future, hence para may be dropped please.</td>
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<td>

viii) Interest to supplier / contractors code 78.84

The Head office has debited a sum of ₹ 8.27 lacs during the year to Account code 76.190 on account of Interest paid to the suppliers which was awarded by the Court of Law. The Misc Expenditure has been overstated to the extent of above.

</td>
<td>viii) Point noted for future, hence para may be dropped please.</td>
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<td>
ix) Liquidity Charges paid back ES Shimla Totu

The Totu division of the Electrical system has paid back the Liquidity Damages received during previous years amounting to ₹ 117.89 lacs and has been reduced from the current year Income.

(viii) Stock of consumables at Head Office
The Head Office has consumables at the close of the year which has not been accounted for in the books of accounts at the close of the year. The following are the details of the same.
<table>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>Stationey Items</td><td>6,34,132.00</td><td></td></tr>
<tr><td>2</td><td>Computer Stationery</td><td>79,64,897.00</td><td></td></tr>
<tr><td>3</td><td>Drawing Stationary</td><td>4,011.00</td><td></td></tr>
<tr><td></td><td></td><td>86,03,040.00</td><td></td></tr>
</table>
In our opinion the expenditure is overstated to the extent of above and consumables are understated to the extent of above
viii) Goods and Service Tax
The Company has not filed the annual return in GSTR 9 for the year under review. In the absence of details of the GSTR 9 and GSTR 9c we are unable to comment on the same.
</td>
<td>
(ix) Statements of facts, hence no comments are required.

(viii) Statements of facts, hence no comments are required

(viii) Statement of facts no comments. However, the Company has now filed annual return in GSTR 9 for the year under review. Hence para may be dropped.
</td>
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<tr>
<td>
21 Board Meetings of the Directors
The Company has hold only three BOD Meeting during the year under review.
The Following are the details of the same.
<table>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>41st Meeting</td><td>14th July 2020</td><td></td><td></td><td></td><td></td></tr>
<tr><td>2</td><td>42nd Meeting</td><td>13th October 2020</td><td></td><td></td><td></td><td></td></tr>
<tr><td>3</td><td>43rd Meeting</td><td>23rd October 2020</td><td></td><td></td><td></td><td></td></tr>
</table>
</td>
<td>
It is submitted that during the FY 2021-22, due to preventive measures of COVID-19 & lockdown declared by the Govt. of India, only three Board meetings were convened and held. The members of the Board suffered with Covid-19 and were unable to attend the meetings of the Board. Further, the Ministry of Corporate affairs also provided many exemptions such as minimum intervals of 180 days between two board meetings
</td>
</tr>
</table>

	etc. In the FY 2021-22 April 2021 onwards, HPSEBL took many initiatives to comply with the provisions of the Companies Act, 2013.Hence, keeping in view of lockdown and COVID-19, this para may be dropped.
22 **Distribution Losses** Reference is invited to Note (35 of the notes to accounts) regarding distribution losses. Some of the circles have very high distribution losses as compared to acceptable norms for electricity companies. The Rohru Circle T and D Losses and AT and C Losses are 42.89 % and 45.09%(Previous year 43.86% and 52.36%) . The less losses of other circles are being set off with the Rohru Circle to average T and D Losses and AT and C Losses as 12.11 % and 16.42 %	Statement of facts, no comments.
23 Contingent Liabilities in notes to accounts The Company has made disclosure of contingent liabilities in notes to accounts, sufficient information has not been provided in respect of the Contingent Liabilities provided in the notes to accounts. (Refer Note no).we have noticed some cases which has not been disclosed in calculating contingent liabilities.	The contingent's liabilities as on 31.3.2021 has been disclosed in Note No 2.31 (A) 12 which pertain to different Units of the Company and sufficient information in this regards is with concerned Divisions. Hence para may be dropped.
24 The Company has not provided any information of the suppliers / service providers who are registered as Micro, Small and Medium undertakings under "The Micro, Small and Medium Enterprises Development Act 2006" as on **31st March, 2021.** In the absence of the information we are unable to comment on the same.	The concerned unit has advised to prepare the information of the suppliers / service providers who are registered as Micro, Small and Medium undertakings under "The Micro, Small and Medium Enterprises Development Act 2006" as on **31st March, 2021.** Point noted for future, hence para may be dropped please.
25 Internal Audit of the company Section 138 of the companies act 2013 specifies that certain class of companies shall be required to appoint an internal auditor who shall be a chartered accountant or a	Point noted for future. Hence para may be dropped please.

cost accountant or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company. Further the rule 13 of the companies (accounts) rules 2014 that certain class of companies shall be required to appoint an auditor which may be either an individual or a partnership firm or a body corporate. And further the internal auditor may and may not be the employee of the company. The Company has not decided the other professionals who will be regarded as the internal auditors of the company. The Company is conducting the internal audit through its own audit department which are being constituted by its own employees of the company which is not in lines with the requirement of section 138 of the companies act 2013 and rule 13 of the companies(accounts) rules 2014. In our opinion the internal audit should be conducted by professionals as specified under provisions of the companies act who should have requisite and up to date professional knowledge about the working of the company and applicable accounting regulation applicable to the company.	
The effect of the said qualifications where ascertainable the loss of current year will be ₹ 1,83,236 lakhs against reported loss of ₹ 18,527 lakhs. The deficit in Other Equity will be ₹3,36,125 lakhs instead of ₹ 1,69,446 lakhs. The Borrowings will be₹ 6,25,6416 lakhs instead of ₹6,47,992 Lakhs .The Non Current Provisions will be of ₹ 1,83,512 lakhs instead of ₹ 28,741 lakhs . The other Non Current Financial Liabilities will be ₹ 2,68,063 lakhs instead of ₹ 2,71,695 lakhs . The Current Borrowings will be ₹ 51,087 lakhs instead of ₹51,428 lakhs. The Current Financial Liabilities will be ₹ 1,01,774 lakhs instead of	The company is complying with this Accounting Standard-26. Hence the version of the Auditor for non compliance is not acceptable and denied. Efforts are being made to rectify the left out shortcomings pointed out by the Statutory Auditors in the current year accounts and compliance of the same shall be shown to the auditors accordingly.

₹ 1,04,860 lakhs. .The Property Plant and Equipment will be ₹ 5,79,811 lakhs instead of ₹ 5,79,464 lakhs. The Capital Work In progress will be ₹ 3,61,477 lakhs instead of ₹ 3,61,800 lakhs. The Noncurrent Loans will be ₹325 lakhs instead of ₹554 lakhs. The Other Noncurrent Assets will be ₹19,794 lakhs instead of ₹24,362 lakhs. The inventories will be ₹15,775 lakhs instead of ₹17,074 lakhs .The Trade Receivable will be ₹28,749 lakhs instead of ₹40,105 lakhs. The cash and cash equivalents will be ₹22491 lakhs instead of ₹ 8372 lakhs. The Financial Other current Assets others will be ₹ 63,691 lakhs instead of ₹ 69,453 lakhs. The Other current Assets others will be ₹ 282 lakhs instead of ₹ 33,472 lakhs. **The Expenditure during the year are overstated on account of Prior period items by ₹** **1,969 lacs for which adjustments has to be made in previous years.** **The Closing cash and cash equivalents will be₹ 24,491 lacs instead of ₹8,372.00 lacs in the case of the cash flow statement for the year under review.**	
26 Observations of the Statutory Auditors of Subsidiary Beas Valley Power Corporation Limited **Basis for Qualified Opinion** a. Significant Accounting Policies 1(g) regarding pending transfer of title / registration of assets transferred from HPSEBL in the name of company. b. Significant Accounting Policies 1(h) regarding provisional capitalization of assets where final settlement of bills is yet to be affected and non-provision of liability thereof.	a. The matter has been disclosed in the notes to accounts under Note-1(III) 1(g) of the Subsidiary Company. b. No such cases exist in BVPCL. However, the policy adopted regarding capitalization of Assets on provisional basis has been disclosed in Accounting Policies & Notes to Accounts Note-1 (III) 1 (h).of the Subsidiary Company.

c) The liability to the extent of Rs. 376.73 lacs on account of encroachment of forestland as demanded by the forest Department has not been provided in the accounts. Settlement of the matter with the revenue authorities for re-demarcation of land to indorse the claim of non-encroachment of land by BVPC is still pending.	c) No forest land has been encroached by the BVPCL and the land demarcated by the revenue authorities in the presence of forest department. However, the joint demarcation of Muhal Kunduni and Konsal could not be carried out as some errors were detected in the revenue record as intimated by the Tehsildar, Joginder Nagar while submitting demarcation report of these Muhals. It his further intimated that a case has been prepared by his office and the same was sent to Settlement Office Dharamsala for carrying out necessary correction in revenue papers of muhal Kunduni. The BVPCL is requesting time and again to the concerned revenue authorities to resolve this issue at the earliest possible and same is under finalization stage. It is further submitted that BVPCL has executed its project works within the diverted forest land (19.4478 ha.) and no encroachment of forest land has been made by the BVPCL.
d. Note on Accounts (Para9 (ii)) regarding pending settlement of terms and conditions and cost of land and buildings pending final settlement.	d. The position has been stated in notes to accounts against Note-1 (vi) 9 (Para-ii) of the Subsidiary Company.
e. Note on Accounts (Para 9(iii)) regarding pending revision of Project Cost and DPR and non-enhancement of capital, hence 30 % of equity participation of the Project Cost by HPSEB Ltd. remaining unconfirmed.	e. The expenditure incurred upto 31-3-2021 is Rs.2095.21 crore against the existing revised cost estimate (DPR) of Rs. 1281.52 crore, which stands revised upto December,2012. Further revision of cost estimate (DPR) of the Project is under process and the share capital of HPSEBL shall be enhanced after revision of DPR accordingly.

f. Note on Accounts (Para 12) regarding non verification of stock, store, cash, and moveable assets lying with various executing agencies of HPSEBL and distributed under CAT, LADA and X-Environment plans.	f. The matter has been disclosed in the notes on accounts (C) 50 of the company.
g. Liability on account of retention money, security deposit and due payable to contractor and suppliers are subject to confirmation. In the absence of information we were unable to comments on its effect on assets and liabilities.	g. Liability on account of retention money, security deposit and due payable to contractor and suppliers are kept on actual basis i.e. the amount has been deducted from their bills. However some confirmation have been obtained & shown to statutory auditors and in other we have written to contractors/ Firms to confirm the balances & post it to our statutory auditors. The left out confirmation of the balances from the contractors are being obtained in current financial year.
h. Some financial assets and liabilities, which are supposed to be re-assessed at fair value as per Ind AS, have not been done due to un-certainty with respect to date of refundable /receivable of security deposit and un-certainty with respect to date of receivable/payable of financial assets /liabilities as explained ; hence impact on Ind AS financial statements cannot be ascertained. Statement of Cash flows showing lack of proper presentation as per Ind AS-7.	h. The degree of accuracy of liability cannot be determined when we have to pay/ clear the liabilities moreover at present the project is at the verge of completion and after the completion of project the same will be reassessed at fair value.
i. **Property, Plant and Equipments:-** The Company is charging the depreciation on PPE used during the construction period as per The Companies Act, 2013, refer note 1(III)1 (k). In our opinion, the Company is regulated under H.P. Electricity Regulatory Commission and the depreciation rates as provided in the HPREC Act should be applied. In the absence of information, we are unable to comment on the same.	**i.** The matter has been disclosed in the policy III (1) (k) of the Company.

j. **Interest during Construction** Attention is also invited to Note 1 (III)4 (c) where it is Stated that Since all income/expenditure is part of incidental expenditure during construction (pending allocation), prior period income/expenditure is not separately shown. Thus the requirement of Ind AS 8 is not fulfilled.	j. The matter has been disclosed in the policy A (2) (C) of the Company.
k.)Payable to HPSEBL A/c Code-44.421(other Adjustment) During the year under review it was observed amount Payable to HPSEBL in A/c of 44.421(Interest on Loan HPSEBL) - Rs 922310943.00 Cr , A/C 44.421 Payable to HPSEBL (Cash)- Rs 6133377826.00 and in A/c 44.421 (Other Adjustment) was Rs 424392574.00/- . The Reconciliation of these accounts was not produced before us for verification. Hence these balance is subject to confirmation	k. The amount payable to HPSEBL under Account Head 44.421 (Other than cash) out of total sum of Rs. 42,43,92,574.00/-, a sum Rs. 16,25,97,093/- has been reconciled with Chief Engineer Generation. HPSEBL, Sundernagar as per annexure attached and rest of the amount is under reconciliation with concerned offices. However, Account Head 44.421(cash) amounting to Rs. 613, 33, 77,826.00 is duly reconciled with HPSEBL. The interest on loan payable to HPSEBL amounting to Rs.92, 23, 10,943/- has now been reconciled with HPSEBL.
l.**GST Input Tax Credit** Account of Input GST was not maintained in books. It was observed that liability on account of GST output was settled from the input Tax credit availed by the Company. Since no A/c for ITC was maintained and the liability on A/c of GST output was squared off against the CWIP ie A/c head 14. During the year under review the ITC on GST portal amounting to Rs 55770713/- was reversed and as on 31.03.2021 no ITC was available on Portal. Generation of electricity is non GST Supply and ITC availed in GST portal should be suitable reversed and only eligible ITC should be reflected on GST portal as per GST Act and rules prescribed therein. However the calculation as per rule 42 of CGST Act for availing Common Credit was not made available to us. Hence ITC availed and amount reversed is subject to	l. A sum of Rs.4797/- on account of GST payable has now been adjusted during the financial year 2021-22. However, the point is noted for future compliance.

confirmation. It was also observed that an amount of Rs 4797/- was outstanding in Books as GST Payable as on 31/03/2021, whereas in GST returns it was set off from ITC availed and no liability appeared in GST portal as on 31.03.2020. Thus in Our opinion other Current Liability is overstated and incidental expenditure is overstated to the extent of Rs 4797/- .Reconciliation of GST Turnover, ITC availed and used was not provided to us for verification.	
m).GST Charged by Contractors on works Contract @18% During the year under review it was observed that the 18% GST was charged by the contractors on the Works done during the year whereas in our Opinion Beas Valley is a Government entity in terms of definition by the Central Government vide notification No 31/2017 central Tax Rate, Dated 13/10/2017the same is reproduced below “Government Entity means an authority or Board or any other body including a society, trust, corporation, i) Set up by the act of parliament or State legislature: ii) Established by any Government, With 90 percent or more participation by equity or control, to carry out function entrusted by the central government, State Government, Union Territory or a local authority.” Accordingly M/s Beas Valley Power Corporation which is wholly Subsidiary of M/s HPSEBL with 99% Shareholding of Government Company thus having 90% Control of State government is a government entity. GST @12% on Works contract should have been levied instead of 18% thus in our opinion Cost of Project is increased by 6 % on the GST portion levied on Work done by the contractors.	m). Initially, the GST @12 % was reimbursed to the contractors on work done as per instruction imparted by our holding Company HPSEBL vide letter No. HPSEBL/F&A/ A&R/GST/2017-18/3312-3512 dated 19-3-2018. But further another clarification on same subject was again issued by the holding Company vide CAO letter No. HPSEBL/F&A/ A&R/GST/2017-18-445-565 dated 21-06-**2018** vide which it has been made clear to reimburse the GST @ 18% on work contracts. Hence, the BVPCL is following the same.
n.) **PLA in Respect of Staff** It was observed that in A/c Head PLA Employees advances, amount of advance taken by Employees were not adjusted for past many years in case of some employees	n). Amount mentioned at Sr. No 1 in r/o Er. Ashwani Kumar, SE (Rtd) has been recovered by the HPSEBL from his retirement gratuity and now

<table>
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<td>as per details given below.
<table>
<tr><th>Sr No</th><th>Name & Designation</th><th>Description</th><th>Amount(Rs.)</th></tr>
<tr><td>1</td><td>Er.Ashwani Kumar Sood (SE)</td><td>Over payment of Salary</td><td>56335.00</td></tr>
<tr><td>2</td><td>Sh Kamal Singh Helper</td><td>Amount recoverable for a period of more than one year</td><td>38732.00</td></tr>
<tr><td></td><td>Total</td><td></td><td>95067.00</td></tr>
</table>
</td>
<td>deposited to this office on dated 09.09.2021 in our SBI Account and the PLA in respect of the officer has now been cleared. The amount shown recoverable from Sh. Kamel Singh, Helper is being deducted @ Rs.4000/-P.M from his salary and balance amount as on date is Rs.10, 732/- shall be recovered upto 12/2021.</td>
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<tr>
<td>o.) A/c code 57.120 Amount recoverable GPF advance/ with Rs 1150800/- A/c -57.180 Amt Rec HPSEBL op balance Rs 690000/- . In these A/cs opening balances appeared as debit balance which was credited at the year end. The reconciliation with HPSEBL was not produced to us to verify this adjustment.</td>
<td>o) The amount recoverable under B.H.57.120 from HPSEBL GPF advance amounting to Rs.1,11,50,800/-,Block Head B.H.57.170 B/Fund amounting to Rs. 6,90,000/- was recoverable from HPSEBL on 31.03.2021 and same was adjusted with Payable to HPSEBL other adjustment account Head 44.421. However, the same has now again been reversed to receivable Block Head vide JV No. 36 dated 6.10.2021 and reconciliation will be done during current Financial Year accordingly.</td>
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<tr>
<td>p) 25.5 Non Deduction of TDS on Advance to Contractors.
On dated 04/07/2020 Rs 166433/- was paid as advance to M/s R advance technologies and on dated 31/07/2020 Rs 750000/- was paid as advance to CSIR NML Laboratory. However TDS on this payment was not deducted. Advance of CSIR NML technologies was not adjusted during the year under review. TDS on M/s TCR Advance Engineering has been deducted</td>
<td>p) TDS has been deducted at the time of bills credited in favour of suppliers i.e. in respect of M/s TCR Advance Eng. Pvt. Ltd. on dated 11-08-2020 and M/s CSIR NML Technologies on dated 07-06-2021 and advance payment has also been adjusted from their bills on same date.</td>
</tr>
</table>

during 08-2020 and TDS on payment made to CSIR NML Laboratory has been deducted during 07-06-2021. As per the provision of Income tax Act and rule made there under TDS is deductible at the time of Payment or at the time of Credit to the Account of payee. Hence in the present Case TDS was deducted with delay. The reason for non-adjustment of Advance was not explained. Thus other current Assets and Current Liabilities is understated to extent of Rs 15000/-.	
q) **78.8-IDC (CIVIL) Op balance 102413075/-.** No expenditure was booked under this account head. It was observed that during the year an amount of Rs199093472/- was incurred under Component Civil Work.	q) The IDC shall be bifurcated and charged proportionately to all Assets on completion/ commissioning of the project.
r**) 62.231-Interest Income accrued from HPSEBL not properly disclosed** As per form 26AS Interest credited by HPSEBL was 96900 and TDS deducted was Rs 7268/-. However the interest credited was not accounted for in the books. It was explained to us that interest on consumer security credited by HPSEBL Rs 96900/- for which the rebate in electricity bills has been given by HPSEBL.	r) This amount pertains to interest on consumer security credited by HPSEBL amounting to Rs.96,900/- for which the rebate in electricity bills is being regularly given by HPSEBL and net entry of Electricity bill has been accounted for in the books of account.
s) GST not charged on Material transferred to HPSEBL 44.421-Payable to HPSEBL (OTHER ADJ.) On dated 31.03.2021 Rs 2704517/- was debited to A/c Code 44.421 and A/c 14.5 ((M/s Nicco) Control & Power Cable.) was credited. It was explained to us that this transaction is for material transferred to HPSEBL. It	s) This is only provision for material transferred to HPSEBL and amount is excluding GST. However, GST has been charged on receipt of payment i.e. during June 2021.

was observed that GST amounting to Rs. 486813.06 was not charged on the material transferred to HPSEBL. Hence other Current Liabilities is understated and financial liabilities non current borrowing is oversatated to extent of Rs 486813.06.	
t) **GST TDS was not deducted on amount credited to United Works (Illumination & Elect. Instl. A/c code-14.5-)** On Dated 23/03/2021 vide JV no 128 A/c 14.5 United Works (Illumination & Elect. Instl.) was debited with Rs 1432965/- however GST TDS was not deducted on the same @ 2%.Thus GST TDS liability was understated by Rs 28659/-and A/c Code 42.2 Contractor Payment was overstated to that extent.	t) The amount has wrongly been debited in this Block Head, which was required to be debited in B.H 46.104 United Works. Which has now been rectified vide JV. No. 52 dated 31-08-2021. Hence, there is no understatement of GST TDS liability and no overstatement of A/c code 42.2 contractor payments.
u) **GST Not charged on Cont. Rent Hired Building (A/c code-62-902)** On dated 31.03.2021 vide JV no 13S Rent on Hired Building was booked at Rs 66850/- however GST on the same was not charged. GSt @18 % ie Rs 12033/-Thus GST liability Current liabilities and other Current Assets A/c Code 28.810 was understated to that extent.	u) This is only provision for income and GST has been charged on actual booking of Income i.e. during the month of June 2021.
v) **GST not charged on Write back of Security deposit/EMD (A/c code-62.922-Other Income):** It was observed that on following occasions other income was credited by debiting security, retention and EMD. The consideration is for activity of writing back which is covered under the word "disposal" as	v) It is intimated that the amount has now been reversed vide JV No.31, 32, 33, 34&35 dated 06.10.2021. However, matter for write off un-claimed liabilities shall be taken up with the competent authorities after the completion of the project.

per section 7 of CGST ACT. Hence in our opinion amount of write back is subject to GST. Thus GST liability to tune of Rs 4,38,887.00 was not booked. Therefore other income was overstated (Income deducted from incidental Expenses thus CWIP was understated) and GST Liability (Current Liabilities) was understated to that extent. It was also observed that board approval for write back of such liabilities was not produced before us .

	62.922-Other Income Credited (Amount Rs.)	Narration
31-03-2021	114375.00	Retention money of the contractor adjusted.
31-03-2021	10311.00	T&C retention amount adjusted as per contra on a/c of unclaimed amount
31-03-2021	650689.00	Security amount adjusted as per contra.
31-03-2021	979860.00	Security amount adjusted as per contra
31-03-2021	1121916.00	A sum of Rs. 1121916/- adjusted as per contra.
Total	2877151.00	

x) The liability to the extent of Rs. 376.73 lacs on account of encroachment of forestland as demanded by the forest Department has not been provided in the

x) No forest land has been encroached by the BVPCL and the land demarcated by the revenue authorities in the presence of forest department. However, the joint demarcation of Muhal

accounts. Settlement of the matter with the revenue authorities for re-demarcation of land to indorse the claim of non-encroachment of land by BVPC is still pending. ***The effect of the said qualifications where ascertainable the Capital Work in progress will be 19890977036/- instead of Rs. 19890542945.61, Other Current Assets will be 15286382.62 instead of Rs. 15259349.62, other Current Liabilities will be Rs 1226774.22 instead of Rs 278838.16,Financial liabilities non current borrowings will be Rs15891283587/- instead of Rs. 15891770400.***	Kunduni and Konsal could not be carried out as some errors were detected in the revenue record as intimated by the Tehsildar, Joginder Nagar while submitting demarcation report of these Muhals. It his further intimated that a case has been prepared by his office and the same was sent to Settlement Office Dharamsala for carrying out necessary correction in revenue papers of muhal Kunduni. The BVPCL is requesting time and again to the concerned revenue authorities to resolve this issue at the earliest possible and same is under finalization stage. It is further submitted that BVPCL has executed its project works within the diverted forest land (19.4478 ha.) and no encroachment of forest land has been made by the BVPCL.
Material Uncertainty relating to Going Concern As the Accumulated Losses of the company as at 31st March 2021 is ₹1,69,446.15 lacs (previous year₹1,50,920.41 lacs) which exceeds 50 % of the net worth of the company. The Current liabilities as at 31st March 2021 are in excess of the current assets. Considering the Fact that the Government of Himachal Pradesh is expected to infuse additional equity funds as and when required , the standalone financial statements have been drawn up on going concern basis. We have relied on the management assessment and our audit report is not modified in this regard.	In reply to this para it is submitted that HPSEBL is state Govt. undertaking Company and GOHP is infusing equity and grants every year from 25 cr to 50 Cr.
Emphasis of Matter 1 It has been observed that expenses approved by Head Office till the year end are only provided in the financial statements. The work completed / services rendered / goods supplied till 31st March, 2021 and not	In reply to this para it is submitted that Company had defined the power in DOFP to their Officer and work/ expenditure are being incurred accordingly. The annual budget and Plan are

approved by Head Office, has not been provided in the financial statements, however, the same have been recorded in the subsequent period on receipt of approval from Head Office. The information with regard to assets / expenses and liabilities has not been made available to us, therefore, impact of same on noncurrent assets / current assets/ noncurrent liabilities/ current liabilities / losses cannot be quantified.	being prepared and approved by the Management. The assets and liabilities appearing the financial statement are recognized/ approved by the management. Hence the version of the audit are not acceptable.
2 Neither the Company has disclosed the facts in notes nor given any information as to settlement for those cases which were disclosed in earlier years balance sheet as notes to account / audit report / CAG comments / comments of works audit party/ comments of RA audit /pending court case / settlement where the Company had deposited deposits with various authorities amounts some of them may have been settled / awarded by the Court / Govt. / Arbitrator but the status was not disclosed by the Company. This may affect the profit & loss account and the balance sheet	In reply to this para , it is submitted that Company is making since efforts to provide the entire records to the auditors and audit report / CAG comments / comments of works audit party/ comments of RA audit /pending settled during during the year has been show to the audit. The point has been noted for compliance for the same .
3 During the year under review the financial statements are prepared as per requirements of the IND As .The basis for grouping of noncurrent liabilities/ assets and current liabilities and assets as per the requirements of IND As for the current and previous year has not been produced for our verification. It was also observed that Figures of previous year was also regrouped in the schedules of balance sheet but the basis of regrouping was not provided to us.	3 All the Units of the Company are maintain proper books of accounts as per requirement of the Companies Act and SAP are being implemented in all the Units of the Company in next year. Hence para may be dropped.
4 Old assets (recoverable) and old liabilities (Payables) in all the divisions being time barred mostly remained unconfirmed / un-reconciled. The adjustment required if any may affect the profit & loss account and the balance sheet.	4 Point to be noted for compliance n next year.

5 The Company has not provided sufficient physical verification records in respect of Tangible Assets, Capital Work in progress and Contracts in progress at the Division level. The adjustment required if any may affect the profit & loss account and the balance sheet.	5. The physical verification report of the fixed assets are available in each Division and no specif unit has been reported the audit in his report where the report has not been provided.
6 The Company has not taken any reasonable steps to remove the qualifications reported in previous year report and earlier year reports of HPSEB by CAG while adopting the accounts for the current year, therefore old material qualifications has been considered in the current year report where the same is quantifiable as no information for the same has been provided by the company.	**6**. Since efforts are being made to settled the CAG report by the management **.**
7 The Company has made provision for expenses on the basis of budgets approved for particular works irrespective of the fact that actual expense accrued/ incurred and same is reversed in the subsequent period on receipt of actual bill / invoice of the vendor / contractor. The same results in overstatement of other current liabilities and revenue expenses / capital work in progress. The sufficient information with regard to quantum of such liabilities provided in financial statements has not been made available to us.	7 to 15. Statement of facts, hence no comments.
8 The reconciliation of the Fixed Assets Register and the Fixed Assets account in the account statement is pending since many years The pendency is due to non availability of records/ information of earlier years or in some divisions the earlier years records has been burnt. The above pendency has been observed in almost all circles also. The adjustment required if any may affect the profit & loss account and the balance sheet.	
9 The reconciliation of the Works register and the Capital Work in progress account in the account statements is	

pending since many years. The pendency is due to non availability of records/ information of earlier years or in some divisions the earlier year's records has been burnt. The above pendency has been observed in Solan Circle, Rampur Circle, Rohru Circle and other circle also. The adjustment required if any may affect the profit & loss account and the balance sheet.

10 No sufficient information and evidence in support of revenue expenses pending allocation over Capital Works has been provided to us. The adjustment required if any may affect the profit & loss account and the balance sheet.

11 The subsidiary records in relation to consumer ledgers at the end of the year is pending for reconciliation at all divisions of the operation circles The adjustment required if any may affect the profit & loss account and the balance sheet.

12 The Company has not provided any information about those consumers who has gone to the courts on account of disputes in the bills raised for energy charges.

13 The Company has not settled the old un-reconciled entries in the bank reconciliations statements. The adjustment required if any may affect the profit & loss account and the balance sheet.

14 The Head office has not supplied to us the employees wise details of loans and advances to staff and interest accrued thereon. The adjustment required if any may affect the profit & loss account and the balance sheet.

15 The Company has not provided complete details of amount recoverable on account of theft of property pending investigation (Account Code 28.885). The

adjustment required if any may affect the profit & loss account and the balance sheet. **16** The Company has not been able to provide sufficient information/ confirmation from the parties in respect amount payable for purchase of power. The adjustment required if any may affect the profit & loss account and the balance sheet. **17** The Company has not able to provide reconciliation in respect of deposits and retentions from suppliers and contractors with the subsidiary records maintained. **18** The Company has not been able to provide reconciliation in respect of Deposits for Electrification Services Connections Account Code 47.1 with the subsidiary records maintained. **19** No sufficient Information has been provided in respect of the Contingent Liabilities provided in the notes to accounts and further no information for contingent assets has been provided. **20** The divisions have not provided sufficient information in respect of those assets where the consumer has deposited the departmental charges and executed the work by their own. The adjustment required if any may affect the Value of assets created and the reserves on the other hand. 21 The Liabilities other than Borrowings, other payables and other recoverable are subject to confirmations. In the absence of confirmations, we are unable to comment of the same	16 The complete records of amount payable for POP has been shown to the audit. Hence version of the audit is not acceptable. 17 to 21 Statement of facts, hence no comments.
Key Audit Matters Key audit matters are those matters that, in our professional	Statement of facts, hence no comments are

judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters **Information Other than the consolidated Ind AS financial statements and Auditor's Report Thereon** The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the consolidated Ind AS financial statements and our auditor's report thereon. Our opinion the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard as no information has been provided to us in this regard.	required. Statement of facts, hence no comments are required.
Management's Responsibility for the Consolidated Ind AS	Statement of facts, hence no comments are

Financial Statements The Holding 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 consolidated Ind AS financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income) , consolidated cash flows and consolidated changes in equity of the Group and jointly controlled entities in accordance with the accounting principles generally accepted in India, including Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with relevant rules issued there under. The respective Board of Directors of the companies included in the Group and its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.	required
Auditor's Responsibility Our objectives are to obtain reasonable assurance about	Statement of facts, hence no comments are

whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also -Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery , intentional omissions , misrepresentations, or the override of internal control. -Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls. -Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.	required

-Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

-Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the consolidated Ind AS financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a

<table>
<tr>
<td>statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.</td>
<td></td>
</tr>
<tr>
<td>Other Matters
1. We did not audit the financial statements/financial information of the following subsidiaries and jointly controlled companies whose financial statements/financial information reflect the details given below of assets as at 31 March 2021, total revenues and net cash flows for the year ended on that date to the extent to which they are reflected in the consolidated Ind AS financial statements.
<table>
<tr><th>Name of the Company</th><th>Assests</th><th>Revenues</th><th>Net Cash Flows</th></tr>
<tr><td>Subsidiary</td><td></td><td></td><td>Amount in Lacs</td></tr>
<tr><td>Beas Valley Power Corporation Limited</td><td>₹ 2,09,709.69</td><td>₹0.00</td><td>₹103.93</td></tr>
<tr><td>Joint Ventures:-</td><td></td><td></td><td>Amount in Lacs</td></tr>
<tr><td>Himachal Renewals Limited</td><td>₹ 226.33</td><td>₹ 5.71</td><td>₹ 9.03</td></tr>
</table>
These financial statements/financial information are audited and have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so</td>
<td>Statement of facts, hence no comments are required</td>
</tr>
</table>

far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of sub-section (3) of section 143 of the Act in so far as its relates to the aforesaid subsidiary and jointly controlled companies, is based solely on such unaudited financial statements/financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/financial information are not material to the Group. Our opinion on the Consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management and the material observation are included while framing this report	
Other Matters reported by Auditor of Beas Valley Corporation Limited a. The qualification that were raised in earlier year audit reports but not removed has been considered in this year report also. b. As per agreement with Power Finance Corporation of India, the promoter company have to invest at least 30% of cost of project, till 31st march 2021 funds has been transfer by the holding company but no allotment of share has been made neither authorized capital has been increased. c. As per information furnish to us by the management, M/s BVPCL does not take any insurance policy for its fixed assets as well as current assets. d. In deviation of the agreements with contractors, Bank Guarantees of private banks or banks located outside Himachal Pradesh have been accepted whereas in terms of agreements, the Bank Guarantee of Nationalized Bank and	Statement of facts, hence no comments are required

located in Himachal Pradesh are only allowed to be accepted. Most of the Bank Guarantees received by corporation are not in the name of designated officer of BVPCL but in the name of designated officers of HPSEB. Confirmation certificate in reference of all BGs from corresponding banks is highly recommended.

e. It was also observed that in following Cases Bank Guarantees were expired.

S. No	Bank Guarantee No & Date	Name of Bank	Amount	Validity Period	Party Name	Remarks
1	BNG/SSJVPL/2004/105 Dated 24.11.2004 Amended No 02292091 PG000002	Allahabad Bank Bangalore	70,00,000.00	03/12/2018	M/s SSJV Pvt. Ltd	BG Expired
2	BNG/SSJVPL/2004/107 Dt.17/12/2004 Amended No .02292091 PG0000003	--do--	1,39,16,700.00	03.12.2018	M/s SSJV Pvt. Ltd	--do--
3	GTEE/2010217/SSJVP/118/2005 Dated 09/08/2005 AmendementNo-02292091PG000001	--do--	50,00,000.00	03/12/2018	M/s SSJV Pvt. Ltd	--do--
4	GTEE0210217/SSJVP 115/2005 dated 27/04/2005 amdned No-02292091/PG 000008 dated 23.01.20009	Allahabad Bank Bangalore	10,85,000.00	26/05/2018	M/s SSJV Pvt. Ltd.Neri Intake Works.	--do--
5	12/2009 Dated 15.04.2009	J&K Bank Jammu	13,00,000.00	13/07/2018	M/sTRG Industries Pvt. Ltd. Jammu.	--do--

6	05/2009 Dated 09/02/2009	J&K Bank Jammu	10,00,000.00	08/02/2018	M/sT RG Industries Pvt. Ltd. Jammu	--do--
7	23/2011 Dated 17/10/2011	J&K Bank Jammu	10,00,000.00	15/07/2018	M/sT RG Industries Pvt. Ltd. Jammu	--do--

f. Pendency regarding transfer value confirmation of work in progress in respect of transmission work, work by Generation Wing, T&C Wing executed by HPSEBL on behalf of BVPCL.

g. Pending details of amount of contingent liabilities/claims not acknowledged as debts by the company.

h. Some cases of land acquisition are pending with different authorities, the amount of liability is un ascertained and therefore no provision thereof has been made in accounts.

i. The Company is showing, Rs. 740962 as security deposit with HPSEBL(A/c Code-47.3. Similarly Amount Payable to HPSEBL in A/c Code 44.421 (Payble to HPSEBL) –Rs 6133377826/- and in A/c Code 44.421 (Payable to HPSEBL , Other Adjustment) Rs- 42,43,92,574/-These amounts have not been adjusted by the HPSEBL and neither any confirmation of balance from the party has been provided to us.

j. The balances representing amounts receivable from and payable to the parties are subject to confirmation by

respective parties. k. In the absence of related information/pending reconciliation various assets executed/transferred by Transmission & Generation wing i.e. other civil work (Rs. 142.68 Lacs), Design Generation (Rs. 2626.23 lacs), DC (T&C) (81.66 lacs), Plant & Machinery (28.08 lacs) and Building (T &C) (27.21 lacs) are still lying under capital work in progress. No satisfactory explanation for non-completion and non-utilization (put to use) of these assets were offered to us at the time of audit. l. In the absence of proper information/ explanations about the cases filed by the company and filed against the company in various courts, outcome of vigilance /department inquiries, we cannot comment on the affect of the same on the financial position of the company and on the disclosure of the same in the Contingent Liabilities in accounting policy. m. Agreements/understanding/award letter, if any, specifying the terms and conditions of various works relating to construction of Transmission line, being executed by the HPSEBL and allied companies were not provided for verifications. o. The corporation has not made provision for doubtful recoveries loans and advances which are under litigation in respect of contractors whose work has already been terminated and re-assigned to other contractors. p. The corporation has not made any provision for Assets not in use or obsolete assets. q. A/c code 25.5 Advance payment Civil Supplies Shimla (Cement) opening Balance recoverable was Rs 933535/- During year Rs 213646/- was debited and Rs. 423769/- was credited resulting in closing Cr balance 723230/- . Thus opening balance was not adjusted/ recovered. Party statement was not presented before us to verify the closing	

balance.	
Report on Other Legal and Regulatory Requirements 1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) of the Act, we give in the "Annexure 1" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable. 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-2" on the directions issued by Comptroller and Auditor General of India. 3. As required by Section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate Ind AS financial statements and the other financial information of the subsidiaries and jointly controlled entities, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that: a) We have sought and except for the possible effects of the matter described in the Basis of Adverse Opinion paragraph above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;.. b) Except for the possible effects of the matter described in the Basis of Adverse Opinion paragraph above, 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 Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation	Statement of facts, hence no comments are required

of consolidated Ind AS financial statements.

d) Except for the effects of the matter described in the Basis of Adverse Opinion paragraph above ,in our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act,

e) The Matter described in the Basis for Adverse Opinion paragraph above , in our opinion may have adverse effect on the functioning of the company

f)In view of the exemptions given vide Notification No. G.S.R. 463 (E) dated 5th June 2015 issued by the Ministry of Corporate Affairs, the provisions of Section 164 (2) of the Companies Act, 2013 regarding disqualification of directors, are not applicable to the company.

g) 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 3"; 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 according to the explanations given to us and based on the consideration of the report of the other auditors on separate Ind AS financial statements as also the other financial information of Jointly Controlled Entities, as noted in the 'Other Matters' paragraph:

i. The Company has not disclosed the impact of pending litigations on its financial position in Note No. 2.41 to the consolidated Ind AS financial statements;

ii. The Group and its jointly controlled entity has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

iii. There has been no delay in transferring amounts which

were required to be transferred to Investor Education and Protection Fund by the Holding Company, subsidiary company and jointly controlled entity. **Report on Other Legal and Regulatory Requirements by auditor of Beas Valley Power Corporation Limited** The Company has taken unsecured loan from HPSEB Ltd., Holding Company (outstanding amount as on 31.03.2021(Rs. 65577.70 lacs). However the term and condition of repayment and applicability of interest etc have not been spell out, thereby fair value of loan at amortization business model cannot be determined as prescribed in the Ind AS 32, 107 and 109.	
Annexure referred to in our report of even date to the members of HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED on the accounts for the year ended 31st March 2021.	
(i) (a) The Company has maintained some records on electronic media but do not show full particulars, as to quantitative details and situation of fixed assets replaced/swapped are still shown as fixed assets in use. We could not find location of fixed assets in any unit. Where the swapped and replaced assets are kept not informed to us.	a) Efforts are being made to maintain the fixed assets register through retired Accounts personnel (Retainer Consultants) of the Company and GIS & GPS is in process. Fixed assets register shall be updated on receipt of final report from Retainer Consultants.
(b) The Company does not have a program of verification to cover all the items of fixed assets in a phased manner or otherwise rather it is not possible to do verification & comparison.	(b) All the DDO's have been directed to physically verify the fixed assets every year.
(c) According to the information and explanations given to us, the records examined by us as no conveyance deeds etc. were made available to us, we cannot comment that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and building that have been taken on lease and disclosed as fixed assets in the standalone financial statements, the lease agreements are in the name of	c) Statement of facts, hence no comments.

the Company cannot be commented upon in the absence of documents.	
(ii) According to the information and explanations provided to us , stores and spare, at all locations, has been physically verified. But no verification report was made available .Moreover, we have found stores which were in books but were not available physically. The valuation of stores is as per financial records, no physical stock details were made available to us.. The procedure for physical verification of inventories followed by the management cannot be commented upon in the absence of verification report & procedure. The Company is maintaining records of inventory, i.e., Stores and spares. However, no list of such inventories with /without value were shown to us. we were not provided with any report of physical verification, hence we are unable to comment on the same.	ii) Complete procedure to verify the store and spares have been prescribed and given to the units by the Company. Procedure for physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company as Stock Verifier verifies the same periodically. Verification reports are available with the AO (Commercial) at HO and shall be shown to audit.
(iii) According to the information and explanations given to us, the Company has granted unsecured loans to BVPCL a subsidiary of the Company (bodies corporate), to be covered in the register maintained under section189 of the Companies Act, 2013 but no such register was made available to us The terms and conditions of the grant of such loans were not made available to us &whether, it is in the Company's Interest cannot be commented upon. But looking at the state of affairs(cost already incurred & installed capacity) the project is not viable As informed to us the schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations, but no such schedule was made available to us. As informed to us there is no overdue amount remaining outstanding as at the year-end. However, no records to verify	(iii) BVPCL a subsidiary of the Company (bodies corporate) of the HPSEBL and interest bearing advance against capital works of Uhl HEP are being made by the Company after the approval of competent authority. The terms and conditions of the grant of such advance/ loans has been formulated and subsidiary records are properly maintained.

the same has been given to us, in the absence of any terms & conditions overdue or otherwise cannot be commented upon.	
(iv) In our opinion and according to the information and explanations given to us, the Company has not complied with the provisions of Sections 186(5) of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.	(iv) HPSEBL has no default for repayment of principal and payment of interest till date. A complete subsidiary record of debt being maintained at head office has been shown to the audit. No overdue is outstanding at the end of year. Therefore, the Company is complying with the provisions of Sections 186(5) of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable. Hence the versions of the audit are not acceptable.
(v) The company has not accepted any deposits from the public in terms of section 73 to 76 or any provisions of the Companies Act, 2013 and rules there under.	(v) Statement of facts, hence no comments are required.
(vi) The company has made and maintained cost accounts and records as specified by the Central Government under section 148 (1) of the Companies Act 2013. However, we have not made a detailed examination of these accounts and records with a view to determine whether they are accurate and complete. The companies cost accounting records has been audited by the Cost Auditors M/s SDM and Associates for the year 201819 .	(vi) M/s SDM & Associates , Cost Accountants , Chandigarh firm are Cost Auditor of the Company and cost records are being prepared through outsourced Cost Audit firm M/s Sangeeta Bhagat , CA , Panchkulla. The Cost record for the FY 2019-20 has been prepared by the Company and audited by the Audit firm. Hence, observations of audit are denied and para may be settled.
(vii) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other statutory dues applicable to it, and there are no undisputed dues outstanding as on 31st March 2021 for a period of more	(vii)(a) Statement of facts, hence no comments are required.

than six months from the date they became payable Company is keeping Provident fund of employees with it in the form of FDRs & there is a shortfall in that .On the top of it the company has taken overdraft against the FDR of GPF.

(b) According to the information and explanations given to us, dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty, value added tax, cess and other material statutory dues that have not been deposited on account of any dispute are given below:

Sr. No.	Duty	Current Year	Previous Year	
i)	Electricity Duty	-	2,408.90	
ii)	Municipal Tax	-	-	
(ii)	Service tax	3.00	3.00	

s

(viii) The Company has not defaulted any repayment of loans or borrowing to any financial institution or bank or dues to debenture holders . The PFC has stopped charging the interest in the ARDP part A scheme. The Company has not repaid the loan to the Government funded by the ADB.

(ix) No money was raised by way of initial public offer or further public offer during the year. The amount raised by the term loans from the Government of Himachal Pradesh has been utilised for the purpose it was raised during the year under review.

(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/ explanation given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we have been informed of any such cases by the management .

(xi) This being a government company Section 197 of the Act

(b) In reply to this para it is submitted that dues of Electricity duty, Municipal Tax and Service Tax are not disputed amount and these are amount outstanding at end of the year 31.3.2021. The payment of these amounts has been made in FY 2021-22 with in the six month. Hence, version of the audit is denied.

(viii) To (xii) Statement of facts, hence no comments are required.

is not applicable. (xii) Company is not a Nidhi Company. (xiii) in our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have not been disclosed in the standalone financial statements as required by the applicable accounting standards (xiv) As informed by the management, the company has not made any preferential allotment to private placement of shares or fully convertible debentures during the year under review. (xv) As informed to us the company has not entered in to any non-cash transaction with directors or persons connected with him. (xvi) Section 45-IA of the Reserve Bank of India Act, 1934 is not applicable to the company.	(xiii) The necessary disclosure has been disclosed in the Standalone Financial Statement, Notes to Accounts Note No 2.35 at Sr. 16 "Related Party transactions" in terms of Ind AS-24. Hence, the version of the auditors is denied. (xiv) Statement of facts, hence no comments are required. (xv) Statement of facts, hence no comments are required. (xvi) Statement of facts, hence no comments
Annexure "A" to the Independent Auditor's Report of the Beas Valley Power Corporation Limited (Referred to in paragraph 1 under 'Report on other legal and regulatory requirements' section of our report to the members of M/s Beas Valley Power Corporation Limited of even date) 1. In respect of the Company's fixed assets: (a) (A) The Company is in the process of compilation of proper records to show full particulars including quantitative details and situation of fixed assets. Location of fixed assets is not entered in Fixed Assets Register. (a) (B) company has not shown any intangible assets in its Balance Sheet; (b) According to the information given to us, all	Statement of facts, hence no comments

major assets have been physically verified by the management during the year, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. We were informed that no material discrepancies have been noticed by the management on such verification. c) Accordance to information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company. However it was observed that fixed assets transferred from HPSEBL have been taken as asset of the Company even though title/ registration of the assets have not been transferred in the name of the company. Refer Note 1g of Significant Accounting Policies. d) Accordance to information and explanations given to us and on the basis of our examination of the records of the Company the Company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year. e) According to information and explanations given to us and on the basis of our examination of the records of the Company No Proceedings have been initiated or are pending against the company for holding any Benami property under the "Benami Transactions (Prohibition) Act, 1988 and Rules made thereunder. 2.(a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. According to the information and explanations given to us and as examined by us, no material discrepancies were noticed on such verification. However it was observed that Stock Lying with	

various executing agencies of HPSEBL and distributed under CAT, LADA and X-Environment plans was not physically verified by Management" Refer para 12 to "Notes on Accounts".

2 (b) The Company has not been sanctioned any working capital limit in excess of Rs 5 crores, in aggregate, from banks or financial institution on the basis of security of current assets during any point of time of the year.

3. According to information and explanation given to us, the company has not made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, (except for the advances against the Works) secured or unsecured to companies, firms, Limited Liability Partnerships or any other parties.

4. In our opinion and according to information and explanation given to us, the company has not granted any loans or provided any guarantees or given any security or made any investments to which the provision of section 185 and 186 of the Companies Act, 2013. Accordingly, paragraph 3 (iv) of the order is not applicable.

5. According to the information and explanations given to us, the company has not accepted any deposits and accordingly paragraph 3 (v) of the order is not applicable.

6. The Company is not required to maintain cost records in terms of sub-section (1) of Section 148 of the Companies Act 2013.

7. In respect of statutory dues:

    (a)According to the information and explanations given to us, no undisputed amounts payable in respect of Goods and Service Tax, provident fund, employees' state insurance, income-tax, sales- tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues were in arrears as at

March 31, 2021 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, sales- tax, service tax, goods and service tax, duty of customs, duty of excise and value added tax which have not been deposited on account of any dispute.

8 i)According to the information and explanations given to us and the records of the company examined by us, there were no transactions that were not recorded in the books of account that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.

9. (a) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender. Repayment schedule /terms and condition of loan from HPSEB Ltd has not been spelled out, hence cannot be commented upon.

9 (b) The company is not a declared willful defaulter by any bank or financial institution or other lender during the financial year under review.

9(c) The amount raised by term loan from PFC ltd. India has been utilised for the purpose it was raised during the year under review.

9(d) In our opinion and according to the information and explanations given to us the funds raised on short term basis have not been utilised for long term purposes.

9(e) In our opinion and according to the information and explanations given to us the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

9(f) In our opinion and according to the information and explanations given to us the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

10. (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments. The amount raised by term loan from PFC ltd. India has been utilised for the purpose it was raised during the year under review.

10(b) According to the information and explanations given 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. Accordingly, paragraph 3(x)(b) of the order is not applicable.

11.(a)According to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year. Accordingly, paragraph 3(xi)(a) and (b)of the order is not applicable.

11(c) According to the information and explanations given to us, no whistle-blower complaints were received during the year by the Company.

12. The Company is not a Nidhi Company and accordingly, paragraph 3 (xii)(a), (b) and (c) of the order is not applicable to the Company.

13. According to the information and explanations given to us and based on our examination of the records of the company, transactions with the related parties are in compliance with section 177 and 188 of the Act. Where applicable, the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

14(a) The Internal Audit of the Company was conducted by Firm of Chartered Accountants. However the internal audit system is not commensurate with the size and nature of Business.

14(b) The Report of Internal auditor for the period under review was considered by us while performing our statutory audit.

15. 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 them. Accordingly, paragraph 3(xv) of the order is not applicable.

16 According to the information and explanations given to us and based on our examination of the records of the company, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934. Accordingly, paragraph 3(xvi) (a), (b) ,(c) and (d) of the order is not applicable.

17. Since the Company has not prepared its profit and Loss Account and it has debited all the expenditure and credited Income to Statement of Incidental Expenditure during Construction pending Allocation hence figure of cash losses cannot be commented upon.

18.No, there has not been any resignation of the statutory auditors during the year accordingly paragraph 3(xviii)of the order is not applicable.

19. The Current Ratio of the Company is 0.02:1 and debt equity ratio of the company is 5.31 :1 on the basis of Balance sheet as on 3.03.2021. In the FY 2020-21 during test run Major portion of Pen Stock was ruptured . A reference is invited to Notes to significant Accounting Policies Note No 13 where it is mentioned that Total loss to the civil components as well as

E&M works is assessed as 1.06 Crore and financial assessment of damages accrued is given below as Point (A) and (B). The tentative cost of rectification/restoration of civil components as well as E&M works is assessed for Rs. 61.74 crores. On the basis of Explanations given by the management where it is stated that It will repair the pen Stock in due course of time we are of opinion that no material uncertainty exists as on the date of the audit report and that company is capable of meeting its liabilities existing at the date of balance sheet. 20 Section 135(5) is not applicable to Company accordingly paragraph XX(a) of the order is not applicable. 21. HPSEBL is Holding Company of BVPCL and as explained to us the Audit report of Holding Company for FY 2020-21 was pending. Hence Qualification or adverse remarks by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated financial statements was not available.	
Annexure 3 **Report on the Internal Financial Controls under Clause (i) of Subsection 3 of Section 143 of the Companies Act, 2013 ("the Act")** We have audited the internal financial controls over financial reporting of **HIMACHAL PRADESH STATE ELECTRICITY BOARD Limited** ("the Holding Company") and its jointly controlled companies as of 31 March 2021 in conjunction with our audit of the Consolidated Ind AS financial statements of the Company for the year ended on that date. **Management's Responsibility for Internal Financial Controls** The respective Board of Directors of the company, its joint venture are companies incorporated in India, are responsible for establishing and maintaining internal financial	Statement of the facts. Hence no comments are required

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 the respective 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	Statement of the facts. Hence no comments are required

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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding	The company's has proper system of internal financial control as per the size of the Company. The proper books of accounts are being maintained as per law and the Companies Act, 2013. To make accuracy, Company has reliable billing software procured from the M/s TCS Ltd. and billings are being made in all operation Units (except tribal area). 32Nos Internal Commercial Audit parties & 2 Nos works Audit parties are conducting audit. The power has been delegated to various executing offices according to the approved delegation of financial powers (DOFP). Admn. Power and complete accounting procedure, maintenance of books of accounts are prescribed in the Accounting Manual of the HPSEBL. Besides, the rule & Regulation

prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.	prescribed by the GOI & GOHP are be adhered strictly. Hence, the Company has, in all material in respect of an adequate internal financial controls system over financial reporting and such internal financial controls over reporting is operating effectively.
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.	In reply to this para, it is submitted that Company have well defined control system & prescribed detailed accounting policies in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over reporting are operating effectively. There is no fraud and mis-appropriation of funds is pointed out by the audit.
Opinion	
In our opinion, the Holding Company has, in all material respects, an do not have adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, except in the areas given 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. However, company needs to further strengthen the in the	The proper books of accounts are being maintained as per law and the Companies Act, 2013. To make accuracy, Company has reliable billing software procured from the M/s TCS Ltd. and billings are being made in all operation Units (except tribal area). 32Nos Internal Commercial Audit parties & 2 Nos works Audit parties are conducting post Audit. The Internal Audit Wing is headed & guided by the Chief Auditor. The efforts are being made & point has been noted. The necessary action shall be taken in next year.

control system in the following areas in the case of **Holding Company:-** - Implementation and Compliance of Indian AS at unit level to ensure the compliance of the Indian AS on the company as a whole. - Classification of account heads in SAP according to the disclosure and classification requirements of the Schedule II of the companies act 2013 and requirements of the Ind AS - Negative Balances in Bank account to be settled before the closing of the accounts - Old Entries in Bank account to be reconciled and account for to avoid the chances of Fraud. - Balances of Initial uploads in the SAP should be adjusted . - The Party Wise details of the Account Code 42 should be settled as the vendor wise details are not uploaded in the SAP - Option of marking of clearing entries in the SAP should be followed by all the accounting units in respect of current as well as old accounting entries. - Scrutiny of old Earnest Money Deposits, security deposits, Retention money and other payables to contractors - Capitalisation of Capital Work in Progress in timely and efficient manner. - Recovery of delay damages from the contractors and accounting thereof - Provision of Expenses should be made on realistic basis and the payment in subsequent financial year should be adjusted from the provision only. - Long Term Advances and Deposit Work should be regularly reviewed and accounted for where the significant work has been completed.	

- Accounting of Provision is respect of doubtful advances and other recoverable.
- Review of Negative Balances in liabilities and assets heads.
- Reversing the Cheques/ Neft Entries for which the Limitation period is over.
- Liability on account of GST should be as per the requirements of the Goods and Service Tax Act.
- Accounting Staff/ Officers at Unit Level should be regularly trained in respect of the Indian Accounting Standards and other Accounting concepts and conventions while preparing the Financial Statements.
- Internal audit system to be improved.

Subsidiary Company

- Delay in commissioning of project. The present cost of project is nearing to 2095 crore. However the project cost and DPR is stated not revised since 2012 on current year price level and pending completion of project work.
- Accounting of provision is respect of doubtful advance and other recoverable.
- Long term advances and deposit work should be regularly reviewed and accounted for where the significant work has been completed.
- Capitalization of capital work in progress in timely and efficient manner.
- Expired Bank guarantees should be reported in timely and efficient manner.
- Proper accounting is needed for identification of Stock lying with contractors and valuation of Scrap /obsolete store and assets not in use.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2021 Consolidated financial statements of the Company. However, these areas of improvement have a affect in our opinion on the Consolidated financial statements of the Company and same has already been reported in our main report.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to subsidiary and joint venture which are companies incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India

Place: Shimla
Dated:

Chief ~~Accounts~~ Officer,
F&A Wing, HPSEBL, Shimla-4
26/11/21