

PUNJAB STATE POWER CORPORATION LIMITED



Office of Chief Engineer/ARR & TR,
Tel.No.0175-2302531, Fax No.0175-2302416, email ce-arr-tr@pspcl.in
Regd. Office: PSEB Head Office, The Mall Patiala- 147001
Corporate Identity Number: U40109PB2010SGC033813 Website: www.pspcl.in

To

Secretary,
Punjab State Electricity Regulatory Commission,
Site No.3, Block-B, Sector 18-A,
Madhya Marg, Chandigarh.

Memo No: 457 /ARR/Dy. CAO/256/ Deficiencies -II

Dated : 9/3/2020

Sub: Petition for True Up for FY 2018-19, Annual Performance Review for FY 2019-20 and Multi Year Tariff for Control Period of FY 2020-21 to FY 2022-23 Deficiencies thereof:- Comments of the CAG of India on the Financial Statements of PSPCL for the year ended 31 march 2019.

Ref: Your office letter No. PSERC/Tariff/T-240/2144 dated 12.12.2019.

Enclosed please find herewith the CAG comments on the accounts of SFS & CFS 2018-19 (Final) dated 02-03-2020 in 12 sets as desired in Point No.1.1.1 (1) of ibid referred letter.

This is for your information, please.

DA/As above.


Chief Engineer/ARR & TR,
PSPCL, Patiala.



भारतीय लेखा तथा लेखा परीक्षा विभाग
कार्यालय महालेखाकार (लेखा परीक्षा), पंजाब
प्लॉट नं० 21 सेक्टर 17, चण्डीगढ़ - 160017

Indian Audit & Accounts Department
Office of the Accountant General (Audit) Punjab
Plot No. 21, Sector 17, Chandigarh-160017

क्रमांक /No आ.ले.वै-1/337/1/PS PCL(CFS)/2018-19/2019

दिनांक /Date 02.03.2020 15/4/20

सेवा में

सचिव पंजाब सरकार
विद्युत् विभाग,
लघु सचिवालय, पंजाब,
सेक्टर-9, चण्डीगढ़।

CMD

CAO
6/3/20
Dirt/Am

विषय 31 मार्च 2019 को समाप्त वर्ष के लिये Punjab State Power Corporation Limited के समेकित लेखाओं पर कम्पनी अधिनियम 2013 की धारा 143(6) (b) तथा 129(4) के अन्तर्गत भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियां।

महोदय

मैं इस पत्र के साथ आपको 31 मार्च 2019 को समाप्त वर्ष के लिये Punjab State Power Corporation Limited के समेकित लेखाओं पर कम्पनी अधिनियम 2013 की धारा 143(6)(b) तथा 129(4) के अन्तर्गत भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियों की प्रतिलिपि प्रेषित करती हूँ।

उपरोक्त टिप्पणियों को वार्षिक लेखाओं, वार्षिक रिपोर्ट एवं वैधानिक लेखा परीक्षकों की रिपोर्ट सहित कम्पनी अधिनियम 2013 की धारा 395(1)(b) के अन्तर्गत विधानसभा के पटल पर रखा जाए तथा इस कार्यालय को इन्हें विधान सभा/संसद के समक्ष प्रस्तुत करने की तिथि से अवगत कराया जाए। इसके अलावा रिपोर्ट एवं टिप्पणियों की प्रतिलिपियां जो की विधान सभा के समक्ष प्रस्तुत की गईं उन इस कार्यालय को प्रेषित की जाए।

कृपया इस पत्र की अनुलग्नक सहित प्राप्ति सूचना भी भेजें।

भवदीय

हस्ताक्षर

उप-महालेखाकार (आ. क्ष.)

संलग्न - यथोक्त

155

सचिव महालेखाकार (आ. क्ष.), पंजाब, चण्डीगढ़।
दिनांक 02/03/2020

महालेखाकार (आ. क्ष.)
चण्डीगढ़

उपरोक्त की एक प्रति 31 मार्च 2019 को समाप्त वर्ष के लेखों पर नियंत्रक एवं महालेखापरीक्षक की टिप्पणियों सहित प्रबन्ध निदेशक, Punjab State Power Corporation Limited, Patiala को सूचना एवं आवश्यक कार्यवाही हेतु प्रेषित की जाती है।

2/3
02/03/2020

वरिष्ठ लेखा परीक्षा अधिकारी (आ.क्षे.)

संलग्न - यथोक्त

COMMENTS OF THE 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 PUNJAB STATE POWER CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2019

The preparation of consolidated financial statements of '**Punjab State Power Corporation Limited**' for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) read with section 129 (4) of the Act are responsible for expressing opinion on these financial statements under Section 143 read with section 129 (4) of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated **25 September 2019**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Punjab State Power Corporation Limited** for the year ended **31 March 2019** under section 143 (6) (a) read with section 129 (4) of the Act. We conducted a supplementary audit of the financial statements of **Punjab State Power Corporation Limited**, but did not conduct supplementary audit of the financial statement of M/s Punjab Thermal Generation Limited and M/s Gidderbaha Power Limited for the year ended on that date. Further, section 139 (5) and 143 (6) (b) of the Act are not applicable to M/s Panem Coal Mines and M/s Bengal Birbhum Coalfields Limited being private entity/joint venture. Accordingly, Comptroller & Auditor General of India has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) read with section 129 (4) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

A Comments on Profitability Expenses

A.1. Purchase of Power (Note No. 30) ₹ 21702.60 crore.

A.1.1. Power Purchase ₹ 19485.41 crore

- a) The Hon'ble Supreme Court of India, vide its decision dated 07 August 2019, entitled M/s Talwandi Sabo Power Limited (TSPL) and M/s Nabha Power Limited (NPL) to

15.5

recover cost of coal and other associated charges from the Company as per Power Purchase Agreements. The Company provided for ₹ 1324.52 crore as Current Liability and booked under the head Provision for unbilled revenue accrued (Current Assets) with the same amount.

The Company should have accounted for this amount under expenses as Purchase of Power instead of Current Assets. This has resulted in overstatement of 'Current Assets' and understatement of 'Loss' for the year by ₹1324.52 crore.

- b) The above does not include ₹ 27.92 crore payable to M/s GVK for the period from March 2018 to March 2019 as per PSERC order dated 27 May 2019. This has resulted in understatement of 'Current Liabilities' and 'Loss' for the year by ₹ 27.92 crore.

A.1.2 Transmission Charges – ₹ 1285.67 crore

The above does not include ₹ 10 crore on account of transmission charges (for the period November 2016 to March 2017) remitted (March 2018) to M/s Patran Transmission Company Limited (PTCL) as the PTCL invoked the bank guarantee in terms of CERC orders dated 04 January 2017. The Company booked the amount as recoverable under the Financial Assets- Others (Current). This has resulted in overstatement of 'Current Assets' and 'Loss' for the year by ₹ 10 crore.

A.1.3 Repair and Maintenance (note 32) ₹406.61 crore

The above does not include an amount of ₹2.18 crore demanded by Punjab Pollution Control Board as consent fees to operate NOC from it for power house at Ranjit Sagar Dam under Water (Prevention and Control of pollution) Act 1974 and Air (Prevention and control of Pollution) Act 1981.

This has resulted in understatement of 'Current Liabilities' and 'Loss' for the year by ₹2.18 crore.

A.1.4 Employee Benefit Expenses (Note 33)– ₹ 4657.37 crore

The above does not include the arrears of dearness allowance (DA) amounting to ₹179.59 crore payable to employees, pertaining to the period July 2015 to December 2016. This had resulted in understatement of 'Current Liabilities' and 'Loss' for the year by ₹ 179.59 crore.

B Comments on Financial Position

B.1 Equity and Liabilities

Other Current Liabilities (Note-26) ₹ 2705.32 crore

Reference is invited to Note-49 forming part of the Standalone Financial Statement in which it is stated that the Company has agreed to pay Annual Commercial Lease Rent and Cess for the period from 2015-16 to 2018-19 amounting to ₹6836886/- in respect of Govt. Land of Pachhwara Central Coal Mine as demanded by the office of DC Pakur, however this amount shall be paid after execution of Mining Lease of Pachhwara Central Coal Mine in the name of PSPCL.

The Company has agreed to pay the above mentioned amount but did not account for this amount as Current Liabilities resulting in understatement of 'Current Liabilities' and 'Loss' for the year by ₹ 68.37 lakh.

B.2 Assets

Non-Current Assets

Capital work in Progress (Note5) ₹ 2429.60 crore.

As per Ind AS-110, the parent company shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Further, consolidated financial statements should combine like items of assets, liabilities, equity, income, expenses & cash flows of the parent with those of its subsidiaries and eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full)

However, above includes ₹ 2.96 crore on account of PSPCL loan pertaining to period upto 2011-12. PSPCL has already accounted for this amount as income of the relevant years. The non-elimination of this amount has resulted in overstatement of 'Non-Current Assets (Capital WIP)' and understatement of 'Other Equity (Retained Earning)' by ₹ 2.96 crore.

C Comments on Disclosure

C.1 Disclosure in respect of Ind AS – 108 “Operating Segments” (Note 51)

With reference to note no. 51 to Accounts, the disclosure is deficient to the extent that detailed information (e.g. segment result, segment assets and liability etc.) relating to its operating segments i.e. generation of power and distribution of power as per the requirement of Ind AS-108 has not been given.

C.2 Leases

3.5

Appendix C of Ind AS-17 requires an entity to assess whether an arrangement which does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment of series of payments. Further, such arrangement should be accounted as finance/operating lease as per Ind AS-17. The Company has long term power purchase agreements (PPAs) with three¹ independent power producers (IPPs) for 3920 MW capacity which generate power exclusive for the Company apart from various PPAs with other parties. The Company has not reviewed the PPAs to identify those which have substance of lease as per requirement of Ind AS-17.

The Company neither adopted any accounting policy nor made any disclosure in this regard.

C.3 Contingent Assets

Disclosure given in the note no. 48 (6)- "*Contingent assets are neither recognised nor disclosed in the financial statement*" is not consistent with the adopted accounting policy no. 2.22 of the company.

D. Impact of Comments on Profitability:

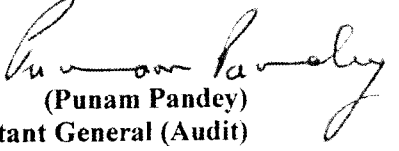
Comment No.	Reference to observation	Profit/Loss during the year (₹ in crore)	Retained Earnings (losses) as on March 2019 (₹ in crore)
I	Reported losses as per accounts.	(37.82)	(7001.25)
II	Effect of observation		
A.1.1(a)	Purchase of Power	(1324.52)	(1324.52)
A.1.1(b)	Payment of M/s GVK by PSPCL.	(27.92)	(27.92)
A.1.2	Transmission charges paid to M/s Patran Transmission Company Limited for the period November 2016 to March 2017.	(10)	(10)
A.1.3	Consent fees to operate NOC from Punjab Pollution Control Board.	(2.18)	(2.18)
A.1.4	Employee Benefit Expenses (DA Arrears)	(179.59)	(179.59)
B.1	Non provision of liability payable to office of DC Pakur	(0.68)	(0.68)
B.2	Non-elimination of Income	-	(2.96)
	Total II	(1544.89)	(1547.85)
	Losses and Retained Earnings after qualification	(1582.71)	(8549.10)

¹ Nabha Power Limited, Talwandi Sabo Power Limited and M/s GVK Thermal Power Limited

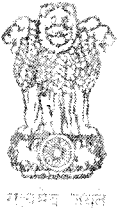
The net impact of above comments is that Losses- Profit & Loss Account are understated by ₹1544.89 crore. If Company provides for the liabilities and income etc., its current years reported loss will increase to ₹1582.71 crore and Retained Earnings (losses) will increase to ₹ 8549.10 crore.

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

**Place: Chandigarh
Date: 02.03.2020**


**(Punam Pandey)
Principal Accountant General (Audit)
Punjab, Chandigarh**

13.5



सत्यमेव जयते

भारतीय लेखा तथा लेखा परीक्षा विभाग
कार्यालय महालेखाकार (लेखा परीक्षा), पंजाब
प्लॉट नं० 21, सेक्टर 17, चण्डीगढ़ - 160017

Indian Audit & Accounts Department
Office of the Accountant General (Audit) Punjab
Plot No. 21, Sector 17, Chandigarh-160017

क्रमांक / No. आ.ले.दे.अ/337/1/PSPCL(SFS)/2018-19/
दिनांक / Date. 02.03.2020 2019-20/14/407

CMD

सेवा में

सचिव पंजाब सरकार
विद्युत् विभाग,
लधु सचिवालय, पंजाब,
सेक्टर-9, चण्डीगढ़।

Handwritten signature and date 6/3/2020
CFO
6/3
AIR/Fin

विषय

31 मार्च 2019 को समाप्त वर्ष के लिये Punjab State Power Corporation Limited के लेखाओं पर कम्पनी अधिनियम 2013 की धारा 143 (6)(b) के अन्तर्गत, भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियां :

महोदय

मैं इस पत्र के साथ आपको 31 मार्च 2019 को समाप्त वर्ष के लिये Punjab State Power Corporation Limited के लेखाओं पर कम्पनी अधिनियम 2013 की धारा 143 (6)(b) के अन्तर्गत भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियों की प्रतिलिपि प्रेषित करती हूं।

उपरोक्त टिप्पणियों को वार्षिक लेखाओं, वार्षिक रिपोर्ट एवं वेश्याधिक परीक्षाओं की रिपोर्ट सहित कम्पनी अधिनियम 2013 की धारा 395(1)(b) के अन्तर्गत विधानसभा के पटल पर रखा जाए तथा इस कार्यालय को इन्हें विधान सभा/संसद के समक्ष प्रस्तुत करने की तिथि से अवगत करवाया जाए। इसके अलावा रिपोर्ट एवं टिप्पणियों की प्रतिलिपियां जो की विधान सभा के समक्ष प्रस्तुत की गई हो इस कार्यालय को प्रेषित की जाए।

कृपा इस पत्र की अनुलग्नक सहित प्राप्ति सूचना भी भेजें।

भवदीया

संलग्न - यथोक्त

Handwritten signature
उप महालेखाकार (अ)

रजिस्ट्रार ऑफिस, चण्डीगढ़
पंजाब सरकार, पंजाब
चण्डीगढ़-160017
दिनांक 06/03/20
संलग्नक नं. 254/1/20
सचिव, विद्युत् विभाग
लधु सचिवालय
चण्डीगढ़

उपरोक्त की एक प्रति 31 मार्च 2019 को समाप्त वर्ष के लेखों पर नियंत्रक एवं महालेखापरीक्षक की टिप्पणियों सहित प्रबन्ध निदेशक, Punjab State Power Corporation Limited, Patiala को सूचना एवं आवश्यक कार्यवाही हेतु प्रेषित की जाती है।

25/4
02/04/2020

वरिष्ठ लेखा परीक्षा अधिकारी (आ.क्षे.)

संलग्न - यथोक्त

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF PUNJAB STATE POWER CORPORATION LIMITED FOR THE YEAR ENDED 31 MARCH 2019.

The preparation of financial statements of '**Punjab State Power Corporation Limited**' for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act are responsible for expressing opinion on these financial statements under Section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated **25 September 2019**.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of **Punjab State Power Corporation Limited** for the year ended **31 March 2019** under section 143 (6) (a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

Based on my supplementary audit, I would like to highlight the following significant matters under Section 143 (6) (b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

A Comments on Profitability Expenses

A.1. Purchase of Power (Note No. 30) ₹ 21702.60 crore.

A.1.1. Power Purchase ₹ 19485.41 crore

- a) The Hon'ble Supreme Court of India, vide its decision dated 07 August 2019, entitled M/s Talwandi Sabo Power Limited (TSPL) and M/s Nabha Power Limited (NPL) to recover cost of coal and other associated charges from the Company as per Power Purchase Agreements. The Company provided for ₹ 1324.52 crore as Current Liability and booked under the head provision for unbilled revenue (Current Assets) with the same amount.

The Company should have accounted for this amount under expenses as Purchase of Power instead of Current Assets. This has resulted in overstatement of 'Current Assets' and understatement of 'Loss' for the year by ₹1324.52 crore.

- b) The above does not include ₹ 27.92 crore payable to M/s GVK for the period from March 2018 to March 2019 as per PSERC order dated 27 May 2019. This has resulted in understatement of 'Current Liabilities' and 'Loss' for the year by ₹ 27.92 crore.

A.1.2 Transmission Charges – ₹ 1285.67 crore

The above does not include ₹ 10 crore on account of transmission charges (for the period November 2016 to March 2017) remitted (March 2018) to M/s Patran Transmission Company Limited (PTCL) as the PTCL invoked the bank guarantee in terms of CERC orders dated 04 January 2017. The Company booked the amount as recoverable under the Financial Assets- Others (Current) instead of expenses for the year. This has resulted in overstatement of 'Current Assets' and 'Loss' for the year by ₹ 10 crore.

A.1.3 Repair and Maintenance (Note 32) ₹406.61 crore

The above does not include an amount of ₹ 2.18 crore demanded by Punjab Pollution Control Board as consent fees to operate NOC from it for power house at Ranjit Sagar Dam under Water (Prevention and Control of pollution) Act 1974 and Air (Prevention and control of Pollution) Act 1981.

This has resulted in understatement of 'Current Liabilities' and 'Loss' for the year by ₹ 2.18 crore.

A.1.4 Employee Benefit Expenses (Note 33)– ₹ 4657.37 crore

The above does not include the arrears of dearness allowance (DA) amounting to ₹179.59 crore payable to employees, pertaining to the period July 2015 to December 2016. This had resulted in understatement of 'Current Liabilities' and 'Loss' for the year by ₹ 179.59 crore.

B Comments on Financial Position

Equity and Liabilities

Other Current Liabilities (Note-26) ₹ 2705.32 crore.

Reference is invited to Note-49 forming part of the Standalone Financial Statement in which it is stated that the Company has agreed to pay Annual Commercial Lease Rent and Cess for the period from 2015-16 to 2018-19 amounting to ₹6836886/- in respect of Govt. Land of Pachhwara Central Coal Mine as demanded by the office of DC Pakur, however this amount shall be paid after execution of Mining Lease of Pachhwara Central Coal Mine in the name of PSPCL.

55

The Company has agreed to pay the above mentioned amount but did not account for this amount as Current Liabilities resulting in understatement of 'Current Liabilities' and 'Loss' for the year by ₹ 68.37 lakh.

C Comments on Disclosure

C.1 Disclosure in respect of Ind AS – 108 “Operating Segments” (Note 51)

With reference to note no. 51 to Accounts, the disclosure is deficient to the extent that detailed information (e.g. segment result, segment assets and liability etc.) relating to its operating segments i.e. generation of power and distribution of power as per the requirement of Ind AS-108 has not been given.

C.2 Leases

Appendix C of Ind AS-17 requires an entity to assess whether an arrangement which does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment of series of payments. Further, such arrangement should be accounted as finance/operating lease as per Ind AS-17. The Company has long term power purchase agreements (PPAs) with three¹ independent power producers (IPPs) for 3920 MW capacity which generate power exclusive for the Company apart from various PPAs with other parties. The Company has not reviewed the PPAs to identify those which have substance of lease as per requirement of Ind AS-17.

The Company neither adopted any accounting policy nor made any disclosure in this regard.

D. Impact of Comments on Profitability:

Comment No.	Reference to observation	Profit/Loss during the year (₹ in crore)	Retained Earnings (losses) as on March 2019 (₹ in crore)
I	Reported losses as per accounts.	(37.80)	(7001.17)
II	Effect of observation		
A.1.1(a)	Purchase of Power	(1324.52)	(1324.52)
A.1.1(b)	Payment of M/s GVK by PSPCL.	(27.92)	(27.92)
A.1.2	Transmission charges paid to M/s Patran Transmission Company Limited for the period November 2016 to March 2017.	(10)	(10)
A.1.3	Consent fees to operate NOC from Punjab Pollution Control Board.	(2.18)	(2.18)
A.1.4	Employee Benefit Expenses (DA	(179.59)	(179.59)

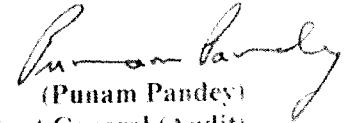
¹ Nabha Power Limited, Talwandi Sabo Power Limited and M/s GVK Thermal Power Limited

35

	Arrears)		
B	Non provision of liability payable to office of DC Pakur	(0.68)	(0.68)
	Total II	(1544.89)	(1544.89)
	Losses and Retained Earnings after qualification	(1582.69)	(8546.06)

The net impact of above comments is that Losses are understated by ₹1544.89 crore. If Company provides for the liabilities and income etc., its current year's reported loss will increase to ₹1582.69 crore and Retained Earnings (losses) will increase to ₹8546.06 crore.

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



(Punam Pandey)
Principal Accountant General (Audit)
Punjab, Chandigarh

Place: Chandigarh
Date: 02.03.2020