

5/2/2017

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143 (6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF SOUTHERN POWER DISTRIBUTION COMPANY OF ANDHRA PRADESH LIMITED, TIRUPATI FOR THE YEAR ENDED 31 MARCH 2016.

The preparation of financial statements of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 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 the 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 2nd August 2016.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6) (a) of the Act of the financial statements of Southern Power Distribution Company of Andhra Pradesh Limited, Tirupati for the year ended 31 March 2016. 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, 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 better understanding of the financial statements and the related audit report:

A. Comments on Profitability:

Statement of Profit and Loss

Revenue from Operations (Note-18) : ₹ 11910.76 Crore

1. The above is understated by ₹11.22 crore due to incorrect accountal of income of temporary supply of electricity. The deposits towards temporary supply of electricity pending for more than one year amounting to ₹11.22 crore have not been taken into books of accounts due to misclassification. This has also resulted in overstatement of Security and other deposits under Current Liabilities and loss for the year to the same extent.

2. The above is overstated by ₹ 54.54 crore due to non-withdrawal of the demand relating to the deemed energy charges billed on HT Consumers during the period from 2011-12 to 2013-14 as per the directives of APERC dated 6th April 2016. According to the directives of APERC, the HT Consumers are not liable to pay any deemed energy charges for the period from 2011-12 to 2013-14. This has resulted in overstatement of Trade Receivables and understatement of loss for the year to the same extent.

B. General:

Cost of Power Purchase (Note 21)

Power Purchase and others: ₹ 13950.81 crore

3. The above is overstated by ₹ 12.16 crore due to inclusion of delayed payment charges levied by a Central Generating Station (NTPC) on power purchase made during the year. As the expenditure incurred was a penalty for delayed payment, the same is to be disclosed distinctly in notes to have fair view of the affairs of the Company.

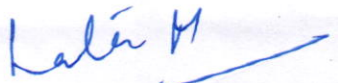
Short Term Borrowings (Note No.6)

Security and Other Deposits – ₹ 224.20 Crore

4. The above includes ₹8.13 crore being the deposits collected from consumers towards burnt meters. As all the burnt meters are replaced by end of the year, these deposits should be adjusted against the expenditure of the Company towards cost of meters. The impact cannot be quantified due to non-reconciliation of records by the Company. Similar observation was commented upon in the accounts for the year ended 31 March 2015.

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

Place : Hyderabad
Date : 27-9-2016


(LATA MALLIKARJUNA)
Accountant General (E&RSA)