



**Independent Auditor's Report
For the Financial Year 2016-17**

To the Members of

Meghalaya Power Distribution Corporation Limited

Independent Auditor's Report
For the Financial Year 2016-17
To the Members of Meghalaya Power Distribution Corporation Limited

1. Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS Financial Statements of Meghalaya Power Distribution Corporation Limited ('the Company'), which comprise:

- a) the Balance Sheet as at March 31, 2017;
 - b) the Statement of Profit and Loss (including other Comprehensive Income) for the Financial Year ended as at 31st March 2017;
 - c) the statement of Cash Flow for the Financial Year ended as at 31st March 2017;
 - d) the Statement of Changes in Equity for the Financial Year ended as at 31st March 2017; and
 - e) the summary of Significant Accounting Policies and Other Explanatory Information.
- (Hereinafter referred to as Standalone Ind AS Financial Statements)

2. Management's Responsibility for the 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 and presentation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with relevant rules issued there under.

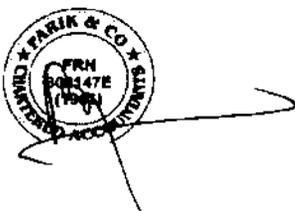
This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments 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 standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Companies Act, 2013. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.



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An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by Company Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

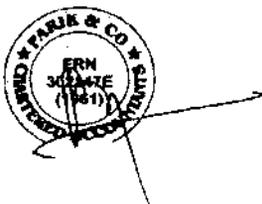
4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of matter reported by us in Annexure C of our Report, the accompanying, aforesaid standalone 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,*

- a) in the case of the Balance Sheet, of the State of Affairs of the Company as at March 31,2017. and
- b) in the case of the Statement of Profit and Loss (including other Comprehensive Income), of the Loss for the Financial Year ended as at 31st March 2017;
- c) in the case of the Cash Flow Statement, of the Cash Flows for the Financial Year ended as at 31st March 2017;
- d) in the case of Changes in Equity for the Financial Year ended as at 31st March 2017;

5. Report on Other Legal and Regulatory Requirements

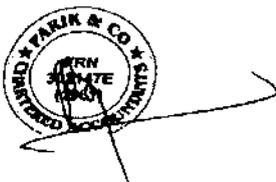
1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure "A"**, a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.



**Independent Auditor's Report
For the Financial Year 2016-17**

To the Members of Meghalaya Power Distribution Corporation Limited

2. As required by Section 143 (3) of the Act, we report that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet ,the Statement of Profit and Loss (including other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in the Equity dealt with by this Report are in agreement with the Books of Account;
 - d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules,2014; *except :*
 - i. *Guidance on First Time Application of Ind AS relating to Transitional Adjustments in retained earnings due to Fair Value Concept and Disclosures and Reconciliation to Indian GAAP to to explain effect of transition to Ind AS (Ind AS 101),*
 - ii. *Fair Value Measurement (Ind AS 113),*
 - iii. *Valuation of Inventories (Ind AS 2) with respect to valuation of obsolete items at realisable value.*
 - iv. *Impairment of Assets (Ind AS 36),*
 - e) in pursuance to the notification No GSE 829(E) dated 21.10.2003, issued by the Department of Company Affairs; section 164(2) of the Companies Act,2013 pertaining to disqualification of Directors is not applicable to a Government Company.
 - f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in **Annexure B.** and
 - g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) *the Company has not disclosed the impact of pending litigation on its financial position in its standalone Ind AS financial statements.*
The management has explained that Pending Litigation (and/ or contingent liabilities) against the company are being dealt by the holding Company and treatment thereafter meted out on case to case basis in accordance with the guidelines specified by the Holding Company itself. Income Tax Related issues are also dealt and represented by the Holding Company. However , recognition of any liability thereon pertaining to unfavourable order or judgment is being recognised by the company.



**Independent Auditor's Report
For the Financial Year 2016-17**

To the Members of Meghalaya Power Distribution Corporation Limited

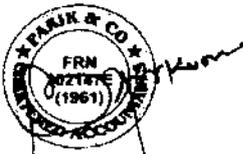
- ii) the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts. And accordingly the Company has made due provisions for material foreseeable losses with regards to Trade receivables and Provisions against revision of pay.
 - iii) there has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection fund by the Company. And
 - iv) the Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the Period from 8 November, 2016 to 30 December, 2016 and these are in accordance with the books of accounts maintained by the Company. (Refer Note 29.7 to standalone Ind AS the financial statements.)
3. With respect to the other matters to be included in the Auditors' Report in terms of the directions of the Comptroller and Auditor General of India (C&AG) under Section 143(5) of the Act, and on the basis of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we give in the **Annexure 'D'** statements on the matters specified in the Directions and Sub-directions of Comptroller & Auditor General of India.

For PARIK & CO

Chartered Accountants

FRN: 302147E

CAG Empanelment No. : ER0855



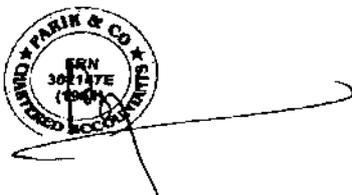
CA Bipin Kumar

Partner

ICAI Membership No. 059805

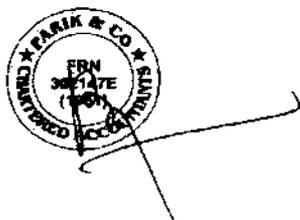
Place : Camp at Shillong

Date : 14th August 2018.



Meghalaya Power Distribution Corporation Limited
Annexure A to the Independent Auditor's Report for the Financial Year 2016-17
Referred to in paragraph 5.1 of Independent Auditor's Report to the members of the Company on the Standalone Ind AS Financial Statements.

- i) a) *The company has maintained Fixed assets Register at its head office on the basis of records procured from the concerned accounting head. However such fixed assets register do not contain quantitative details and exact situation of its fixed assets. Further, the fixed assets register is not in the standard format.*
- b) *With regard to Physical Verification of Fixed assets, we were informed that details have been flown in from certain underlying Divisional units, however streamlining of the same is under process. In absence of adequate records we are unable to comment on the discrepancy, if any, between the physical balance and book balance.*
- c) *The title deeds of immovable properties were not produced to us for our verification; hence we are unable to comment that the company has recorded title deeds in its own name in respect of all of the immovable properties in the possession of companies. The management has informed us that the company is continuing the process of getting its name incorporated in the various assets and liabilities transferred to it from its holding company, as per provisions of "The Meghalaya Power Sector Reforms Transfer Scheme 2010" and till date major part of the assets transferred to the Company is still in the name of its Holding Company i.e. Meghalaya Energy Corporation Limited.*
- ii) a) *The Company has conducted physical verification of its inventories from few divisional and sub divisional offices as on 31st March, 2017 in respect of its 23 field Offices/ Divisions / DDO,s scattered all over the state in which inventory is maintained but its reconciliation with General Ledger not furnished to us. Moreover certain deficiencies in inventories valuation have been specifically pointed out by us under Note 4 of Annexure C of our Report.*
- b) *The procedure of physical verification of inventory followed by the management is not reasonable and adequate and is not commensurate with the size of the company and nature of the business of the company.*
- c) *Although the company is maintaining records of inventory, the discrepancies if any on physical verification of inventories as compared to the book records could not be ascertained.*
- iii) *The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. However, the company has given/ taken advances from the company to / and from companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, which were during the normal course of business transactions carried on at arm's length.*



Meghalaya Power Distribution Corporation Limited

Annexure A to the Independent Auditor's Report for the Financial Year 2016-17

Referred to in paragraph 5.1 of Independent Auditor's Report to the members of the Company on the Standalone Ind AS Financial Statements.

- iv) The Company has complied with the provisions of section 185 and 186 of the Companies Act 2013, in respect of loans, investments, guarantees and security provided by it.
- v) The company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and Provisions of Section 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regards to deposits accepted from the public are not applicable.
- vi) We have broadly reviewed the cost records maintained by the company pursuant to the rules made by the Central Government for maintenance of cost records under Section 148(1) of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. ***However the Company could produce for our verification Cost Audit Report only up to the Financial Year 2015-16.***
- vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees State Insurance, Income-tax, Sales-tax, Service-tax, Duty of customs, Duty of excise, Value added tax and any other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. ***However there are some unexplained liabilities in respect of statutory dues which have been specifically pointed out by us in Note 15 of Annexure C of our Audit Report.***
- b) According to the information and explanations given to us, no undisputed amounts payable in respect Provident fund, Employee State Insurance, Income-tax, Sales-tax, Service-tax, Duty of customs, Duty of excise, Value added tax and any other material statutory dues were in arrears, as at 31st March, 2017, for a period of more than six months from the date they became payable.



Meghalaya Power Distribution Corporation Limited
Annexure A to the Independent Auditor's Report for the Financial Year 2016-17
Referred to in paragraph 5.1 of Independent Auditor's Report to the members of the Company on the
Standalone Ind AS Financial Statements.

- c) According to the information and explanations give to us and the records of the Company examined by us, the under mentioned dues are outstanding in respect of Income Tax on account of dispute for which the company has preferred an appeal in due forum.

Assessment Year	Amount Involved	Remarks.
2013-14	Rs. 1,06,75,510	This refers to demand raised by Income Tax Department which is under Appeal with CIT (A).

- viii) Based on our audit procedures, and as per the information & explanation given by the management, *the company has defaulted in the repayment of dues of principal or interest on loan to the bank and/or financial institution and lender wise default details have been specifically disclosed in Note 10 of Financial Statement.*
- ix) During the Financial Year 2016-17, the Company has taken under mentioned loan from Financial Institutions and / or from Govt. but it has not issued any debentures.

Sl. No.	Parties from Whom Borrowed	Amount Borrowed (Amount in Rs.)
1	PFC	325,00,00,000/-
2	MeECL	121,98,62,250/-
3	Centra Bank of India (Megha Power Vehicles)	24,05,000/-
4	Govt. of Meghalaya	13,38,000/-

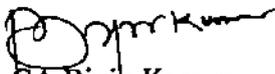
The Company has not raised money by way of initial public offer or further public offer (including debts instruments) and terms loans.



Meghalaya Power Distribution Corporation Limited
Annexure A to the Independent Auditor's Report for the Financial Year 2016-17
Referred to in paragraph 5.1 of Independent Auditor's Report to the members of the Company on the
Standalone Ind AS Financial Statements.

- x) According to the information and explanations given to us and based upon internal control system exercised and performed by the company, the cases of fraud by officers or employee of company are being dealt by the holding company and such cases have been enumerated in the Consolidated Financial Statement of Holding Company. As per management explanations no cases of material fraud in the Company have been reported by the Holding Company.
- xi) Managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii) The company is not a Nidhi company. Therefore the provision of clause 4 (xii) of the Order are not applicable on the Company.
- xiii) All transactions entered by the company with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013, wherever applicable and the details have been disclosed in the Financial Statements etc, as required by the applicable Ind AS.
- xiv) The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- xv) The company has not entered into any non-cash transactions with directors or persons connected with him.
- xvi) The company is not required to be registered under section 45-LA of the Reserve Bank of India Act, 1934.

For PARIK & CO
Chartered Accountants
FRN: 302147E
CAG Empanelment No.: ER0855



CA Bipin Kumar
Partner
ICAI Member No 059805
Place : Camp at Shillong
Date : 14th August 2018.



Meghalaya Power Distribution Corporation Limited

Annexure –B to the Auditors' Report

Referred to in paragraph 5.2 f of Independent Auditor's Report to the members of the Company on the Standalone Ind AS Financial Statements for the Financial Year 2016-17

Report on the Internal Financial Controls under Clause (i) of sub- section 3 of Section 143 of the Companies Act,2013 ('the Act')

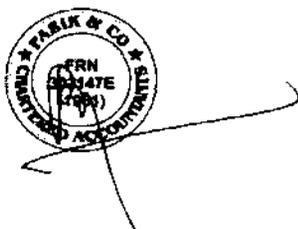
We have audited the internal financial controls over financial reporting of Meghalaya Power Distribution Corporation Limited (the Company') as of 31st March,2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company 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). The 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 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 to 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 were established and maintained and if such controls operated effectively in all material respects.



Meghalaya Power Distribution Corporation Limited

Annexure –B to the Auditors' Report

Referred to in paragraph 5.2 f of Independent Auditor's Report to the members of the Company on the Standalone Ind AS Financial Statements for the Financial Year 2016-17

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control bases on the assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 authorization of the Management of the Company, and (3) provided reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.



Meghalaya Power Distribution Corporation Limited

Annexure –B to the Auditors' Report

Referred to in paragraph 5.2 f of Independent Auditor's Report to the members of the Company on the Standalone Ind AS Financial Statements for the Financial Year 2016-17

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

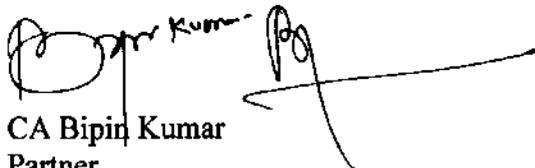
In our opinion, the Corporation has in all material respects an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March,2017 which is based on MeSEB Delegation of all Financial powers and all decision relating to financial matters are being followed as per Provisions of DOFP and CPWD Account Code established by the Company and is being followed for matters relating to Administrative Approvals, Technical Sanctions, Contract Bill, Supplier Bill, Advances etc. However, formal reviewing procedures are yet to be established with regards to Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For PARIK & CO

Chartered Accountants:

FRN: 302147E

CAG Empanelment No: ER0855



CA Bipin Kumar

Partner

ICAI Member No 059805

Place: Camp at Shillong

Date: 14th August 2018.



**ANNEXURE C TO INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31ST MARCH, 2017****(Referred to in Paragraph 4 of our report even date)****Auditor's Observation and Qualification on Notes of Standalone Financial Statement****NOTE 2: Capital Work in Progress:**

01. The detailed list of closing CWIP Rs. 5732367599.49/- showing the location, quantitative details, starting date of its capitalisation as CWIP, current stage of its percentage completion and the expected date of its completion or capitalisation, physical verification report of such CWIP as on 31st March 2017 could not produced for our verification. In absence of such documentary evidences we are unable to express our opinion on correctness and authenticity of stated closing CWIP Rs. 5732367599.49/-.
02. There was no capitalization of under mentioned opening CWIP amounting to Rs. 408.65 Crores in spite of no further addition in CWIP during the reporting period or the capitalisation was much less in comparison to Opening Balance and we could not be furnished any valid explanation for reason of non capitalisation of the said CWIP of Rs. 408.65 Crores, which constitutes nearly 71.28% of total CWIP of Rs. 573.24 Crores or the status of not taking in use of such CWIP. In absence of requisite explanation we are unable to furnish our opinion that the said assets have not been really put into use and if really put into use then the extent of less booking of depreciation on the said stated assets still which are still shown under the head CWIP instead of its proper capitalisation.

Particulars	Opening Balance (Rs)	Capitalised During the Year (Rs.)	Closing CWIP (Rs.)
14.216 (PMGY I Lines and Cables HV)	18585772.13 Dr		18585772.13 Dr
14.226 (PMGY II Lines and Cables HV)	17436346.91 Dr		17436346.91 Dr
14.226(A) (PMGY II Lines and Cables M & LV)	3895.00 Dr		3895.00 Dr
14.232 (PMGY III Buildings HV)	117814.00 Dr		117814.00 Dr
14.236 (PMGY III Lines and Cables HV)	125265413.71 Dr		125265413.71 Dr
14.246 (PMGY IV Lines and Cables HV)	21917091.44 Dr		21917091.44 Dr
14.246(A) (PMGY IV Lines and Cables M & LV)	338064.00 Dr		338064.00 Dr



Meghalaya Power Distribution Corporation Limited::Shillong

ANNEXURE C TO INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2017

(Referred to in Paragraph 4 of our report even date)

Auditor's Observation and Qualification on Notes of Standalone Financial Statement

14.256 (PMGY V Lines and Cables HV)	42829549.10 Dr		42829549.10 Dr
14.256(A) (PMGY V Lines and Cables M & LV)	106452.00 Dr		106452.00 Dr
14.266 (PMGY VI Lines and Cables HV)	18311759.44 Dr		18311759.44 Dr
14.276 (PMGY VII Lines and Cables HV)	18537292.59 Dr		18537292.59 Dr
14.516 (REMNP I Lines and Cables HV)	94359761.49 Dr		94359761.49 Dr
14.526 (REMNP II Lines and Cables HV)	108302822.40 Dr		108302822.40 Dr
14.740 (CWIP- 14.740)	604160.00 Dr		604160.00 Dr
14.81T (CWIP-14.81T)	72891.00 Dr		72891.00 Dr
14.866 (PM Package Lines and Cables HV)	35128732.91 Dr		35128732.91 Dr
14.872 (APDRP Buildings HV)	1403792.00 Dr		1403792.00 Dr
14.874 (APDRP Civil Works HV)	9985284.75 Dr		9985284.75 Dr
14.876 PGCIL/SCADA (CWIP-PGCIL/SCADA)	48231029.00 Dr		48231029.00 Dr
14.876(A) (APDRP Lines and Cables M & LV)	191061377.00 Dr	53625.00	191007752.00 Dr
14.87X SCADA (CWIP - SCADA)	4188054.00 Dr		4188054.00 Dr
14.886 (M II) (RGGVY RBD II O/o EE/RE)	542338.00 Dr		542338.00 Dr
14.886(CE) (RGGVY CE/RE)	19791.00 Dr		19791.00 Dr
14.886(I) (RGGVY SE/RE)	51785.00 Dr		51785.00 Dr
14.886(J) (RGGVY South Garo Hills EE/RE (C))	62100.00 Dr		62100.00 Dr
14.886(L) (RGGVY EKH II O/o E.E.R.E)	691910.00 Dr		691910.00 Dr
14.887(A) (RGGVY Vehicles M & LV)	162361.00 Dr		162361.00 Dr
14.889 (RGGVY Office Equip HV)	5295.00 Dr		5295.00 Dr



Meghalaya Power Distribution Corporation Limited::Shillong

ANNEXURE C TO INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31ST MARCH, 2017

(Referred to in Paragraph 4 of our report even date)

Auditor's Observation and Qualification on Notes of Standalone Financial Statement

14.88X APDRP (CWIP - APDRP)	277375852.07 Dr	2534351.00	274841501.07 Dr
14.926 (CWIP- 14.926)	34676581.05 Dr		34676581.05 Dr
14.934 (CWIP - 14.934)	500987.14 Dr		500987.14 Dr
14.935 (CWIP - 14.935)	1755433.56 Dr		1755433.56 Dr
14.936 (A) (CWIP - 14.936 (A))	1003644.95 Dr		1003644.95 Dr
14.936 SPMNP (CWIP- SPMNP)	16994581.00 Dr		16994581.00 Dr
14.936 TIS NLCPR (CWIP- TIS NLCPR)	1142 447.00 Dr		1142447.00 Dr
14.944 (CWIP- 14.944)	1067204.00 Dr		1067204.00 Dr
14.945 (CWIP - 14.945)	50000.00 Dr		50000.00 Dr
14.945(A) (CWIP- 14.945 (A))	1027880.00 Dr		1027880.00 Dr
14.946 (CWIP - 14.946)	48766204.75 Dr		48766204.75 Dr
14.946 CRE (CWIP- CRE)	54184045.96 Dr		54184045.96 Dr
14.946 TIS (CWIP - TIS)	1316791.10 Dr		1316791.10 Dr
14.952 (CWIP - 14.952)	2118637.38 Dr		2118637.38 Dr
14.956 (CWIP- 14.956)	59914.43 Dr		59914.43 Dr
14.964 (CWIP - 14.964)	159252.84 Dr		159252.84 Dr
14.972 (CWIP - 14.972)	84715.99 Dr		84715.99 Dr
14.974 (CWIP - 14.974)	33425.14 Dr		33425.14 Dr
14.975 (CWIP - 14.975)	4429.82 Dr		4429.82 Dr
14.976 (CWIP - 14.976)	4100599.89 Dr		4100599.89 Dr
14.979 (CWIP - 14.979)	3247.51 Dr		3247.51 Dr
14.RAPDRP (CWIP - RAPDRP)	18009227.64 Dr		18009227.64 Dr
14.RGGVY (CWIP - RGGVY)	2773434120.02 Dr		2773434120.02 Dr
14.SCA (Special Central Assistance Scheme)	4455549.00 Dr		4455549.00 Dr
14.SCA (Special Central Assistance)	4527498.00 Dr		4527498.00 Dr
14.XxC (Wind Energy EE/RE (C))	1500.00 Dr		1500.00 Dr
14.XXX NLCPR (CWIP - NLCPR)	83912386.15 Dr		83912386.15 Dr
Total (In Rs.)	408,90,89,091.26 Dr	25,87,976 Cr	408,65,01,115.26 Dr
Total in Cr.	408.90	0.25	408.65



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NOTE 4: Inventories:

01. There is only 24.07% consumption of inventory with respect to its total stock and nearly 75.93% of inventory (amounting to Rs. 39.37 Crore) are either the slow moving or the unserviceable inventory and further to that consumption of stores inventory Rs. 12.48 Crores. is also much lesser than purchased made during the year Rs. 19.48 Crores. Thus there is huge pile up of slow Moving and / or Unserviceable inventory in comparison to its consumption/ utilization, which is evident from under mentioned details:

Particulars	Amount (In Rs.)	Amount (In Rs. Crores)
Opening Inventory	323142996.23	32.31
Purchased During the Year	195333611.33	19.53
Opening + Purchases	518476607.56	51.85
Consumption / Written Off	124806669.56	12.48
Closing Balance	393669938.00	39.37
% of Consumption to total Stock	24.07	
% of Slow Moving and / or Unserviceable Inventory Stock	75.93	

We are unable to express our opinion on the authenticity and valuation of stated inventory amounting to Rs. 39.37 Crores. in absence of details with respect to:

- age wise bifurcation of closing inventory,
- proper reconciliation of physical inventory with General Ledger,
- item wise identification of possibility of usability of the stocked inventory,
- the amount of obsolete inventories due to technical changes or due to rusting or damages.



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02. Under mentioned Opening Inventories and further purchases has not moved/ consumed during the Year, which constitutes nearly Rs. 34.07 Crores i.e. 86.54% of Total Inventory Stock and this presentation also clearly reflect that there is possibility of huge piled up unserviceable stock inventory and the management has not made due provisions for writing up of obsolete inventories stock or the statement of the said obsolete inventories at its fair realizable value, which is not in conformity of Ind AS 2.

Particulars	Opening Balance (Rs.)	Purchased/ Received (Rs.)	Consumption (Rs.)	Closing Balance (Rs.)
22.213 (Others Capital)	706663.00 Dr			706663.00 Dr
22.227 (Electric Light Fittings O&M)	625.00 Dr	4100.00		4725.00 Dr
22.204 (Metering Equipments Capital)	1649216.62 Dr			1649216.62 Dr
22.224 (Metering Equipments O&M)	1076039.54 Dr			1076039.54 Dr
22.233 (Others O&M)	3309819.00 Dr	126133.00		3435952.00 Dr
22.304 (Metering Equipments Capital 304)	33895.00 Dr			33895.00 Dr
22.324 (Metering Equipments O&M 324)	82237.00 Dr			82237.00 Dr
22.333 (Others O&M 333)	1296826.00 Dr			1296826.00 Dr
22.601 (Steel-Materials Stock Account (Capital))	8898.45 Dr			8898.45 Dr
22.603 (Transformers-Materials Stock Account (Capital))	40078771.30 Dr	13191774.00	10663708.94	42606836.36 Dr
22.604 (Metering Equipments-Materials Stock Account (Capital))	41090133.34 Dr	19882586.00	1331252.42	59641466.92 Dr
22.605 (Cables & Conductors-Materials)	29764653.99 Dr	23450712.49	14202863.90	39012502.58 Dr



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Stock Account (Capital))					
22.606 (Poles-Materials Stock Account (Capital))	41863951.82 Dr	60113251.81	15110994.23	86866209.40 Dr	
22.608 (Spares-Materials Stock Account (Capital))	8731881.00 Dr	9278256.00	4857182.00	13152955.00 Dr	
22.610 (Towers-Materials Stock Account (Capital))	81816.49 Dr			81816.49 Dr	
22.613 (Others-Materials Stock Account (Capital))	34805037.99 Dr	38265931.66	14656240.53	58414729.12 Dr	
22.621 (Steel-Materials Stock Accounts (O & M))	327271.88 Dr			327271.88 Dr	
22.624 (Metering Equipments-Materials Stock Accounts (O & M))	4071472.00 Dr	830983.00	123488.00	4778967.00 Dr	
22.628 (Spares-Materials Stock Accounts (O & M))	2795871.48 Dr	3121691.00	1607221.00	4310341.48 Dr	
22.630 (Towers-Materials Stock Accounts (O & M))	711113.00 Dr	413274.00		1124387.00 Dr	
22.633 (Others-Materials Stock Accounts (O & M))	30916147.53 Dr	11180703.76	19975894.74	22120956.55 Dr	
Total in Rs.	24,34,02,341.43 Dr	17,98,59,396.72 Dr	8,25,28,845.76 Cr	34,07,32,892.36 Dr.	
Total in Crores.	24.34	17.98	8.25	34.07	



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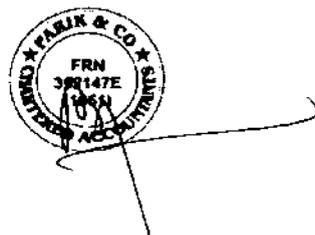
03. Under mentioned inventories stock are showing Closing Credit Balance in the Consolidated Ledgers, which apparently shows the wrong valuation and / or wrong accounting entries of the stated inventories:

Particulars	Closing Credit Balance (Rs.)
22.602 (Cement-Materials Stock Account (Capital))	690.00
22.611 (GI Sheets-Materials Stock Account (Capital))	48219.00
22.612 (GI Pipes-Materials Stock Account (Capital))	1103440.82
22.631 (GI Sheets-Materials Stock Accounts (O & M))	39801.06
22.627 (Electric Light Fittings-Materials Stock Accounts (O & M))	203232.43
Total Credit Balance	1395383.31

04. Value with respect to Consumption of Inventories has not been booked as per provisions of Ind AS 2, as the consumption figure of inventories has been not been recorded at Cost Price but has been recorded on the basis of fixed issue rate which is the approved tender rate applicable as on date of such issue plus 7.5% towards storage and handling charges of inventories.

NOTE 5 (a): Trade Receivables:

01. The management has identified doubtful debts amounting to Rs. 10.90 Crores calculated @ 3% of receivables as on 30th September 2016 of Rs. 363.43 Crores (As per past practice) against the unsecured receivables as on 31st March 2017 of Rs. 554.33 Crores. The figure of receivable taken as basis for calculation of doubtful debts as on 30th September 2016 is only nearly 65.56% of unsecured debtors of 31st March 2017. As per Conservative Principle of Accounting the provision for loss (i.e. Provision for doubtful debts) should had been made on known higher figures of Debtors i.e. the unsecured receivables as on 31st March 2017 of Rs. 554.33 Crores, as there is big jump in unsecured receivables on 31st March 2017 by 34.44% in comparison of 30th September 2016 figures.
02. There is provision of doubtful debts amounting to Rs. 10.90 Crores as on 31st March 2017 but the management could not furnish us the justification reason of under mentioned opening debtors amounting to Rs. 41.02 Crores. remained totally unrealised during the reporting period inspite of having no further transaction of sale during the reporting period and in view of the this fact what is the justification of provisioning of only Rs. 10.90 Crores against the total opening unrealised debtors of Rs. 41.02 Crores. These facts



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also clearly reflect that there is overstatement of Debtors and Overstatement of Profitability by Rs. 30.12 Crores. The List of such opening debtors remained totally unrealized amounting to Rs. 41.02 Crores are mentioned hereunder:

Head of Accounts	Opening (Rs.)	Dr. (Rs.)	Cr. (Rs.)	Closing (Rs.)
23.102 (E)(F) (Residential Domestic Employees (Fixed))	3877.17	0.00	0.00	3877.17
23.102 (F) (Residential Domestic (Fixed))	42550.48	0.00	0.00	42550.48
23.102 E (FPPA) (Sundry Debtors From Sales of Power)	12.00	0.00	0.00	12.00
23.102(FPPA) (Sundry Debtors for Sales of Power)	7211.73	0.00	0.00	7211.73
23.112 (F) (Commercial (Fixed))	79029.66	0.00	0.00	79029.66
23.112(FPPA) (Sundry Debtors From Sales of Powers)	27.84	0.00	0.00	27.84
23.122 (F) (Industrial Medium Low (Fixed))	25211.44	0.00	0.00	25211.44
23.142 (F) (Public Lightning (Fixed))	386.76	0.00	0.00	386.76
23.162 (F) (Public Water Work (Fixed))	6921.34	0.00	0.00	6921.34
23.602 (Mizoram)	1368746.00	0.00	0.00	1368746.00
23.606 (Sundry Debtors for Sale of Power UI (Inter))	393827824.29	0.00	0.00	393827824.29
23.610 (WVVV (NTPC))	1008263.00	0.00	0.00	1008263.00
23.613 (TATA TPTCL)	21.00	0.00	0.00	21.00
23.614 (LANCO)	10000000.00	0.00	0.00	10000000.00
23.615 (PTCIL)	401.00	0.00	0.00	401.00
23.704 (B) (Sundry Debtors - Delayed Payment Charges- ASEB)	469242.00	0.00	0.00	469242.00
23.704(C) (Sundry Debtors-Delayed Payment Charges (C))	3414168.00	0.00	0.00	3414168.00
	41,02,53,893.71	-	-	41,02,53,893.71
Total (Rs. in Crores)	41.02538937	0	0	41.02538937
Closing Provision for Doubtful Debts (in Rs. Crores)	10.9031555			
Thus there is apparently shortfall in provision of Debtors by	30.12223388	Cr.		
Thus there is overstatement of Assets and Overstatement of Profitability by Rs.	30.12 Crores.			



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However, the management has explained that:

- There is no apparent overstatement of Debtors and Overstatement of Profitability in the Financial Statements.
- Collections have been made against the figures stated above as non-moving receivables. However, on booking of demand for the above receivables, the bifurcation of Fixed Charges and other relevant heads cannot often be correlated with the respective Collection made thereof. Thereby, booking of collection is often recorded in lump-sum in other ledgers of receivables, under the same accounting group code 23.xxx. Hence, it may be stated that the Accounting Code 23.xxx is reflective of actual balance of receivables in aggregate. So, there appears no case for treating the above mentioned debtors as doubtful; instead there is a case for correct bifurcation of debtors' heads under the group accounting code of 23.xxx. The same is under reconciliation.

03. The under mentioned closing balance of Debtors Ledgers are showing Credit Balance, which apparently shows either wrong accounting or wrong classification of Accounting. The management could not furnished us either the requisite details and explanations for such credit balances or the reason of non accounting of the said credit balances under the head Deposit from Customers.

Accounting Head	Closing Balance as on 31st March 2017 (Rs.)
23.101 (Residential Domestic (Urban))	64525240.06
23.102 E (FPPA) (Sundry Debtors From Sales of Power)	12.00
23.102(FPPA) (Sundry Debtors for Sales of Power)	7211.73
23.112(FPPA) (Sundry Debtors From Sales of Powers)	27.84
23.132 (F) (Industrial High Voltage (Fixed))	178803.30
23.142 (Public Lighting (Rural))	670710.66
23.151 (Irrigation and Agriculture (Urban))	88025.73
23.172 (F) (Supply in Bulk (Fixed))	887652.60
23.191 (Temporary Power Supply (Urban))	16251106.11
23.192 (Temporary Power Supply (Rural))	7858049.03
23.193 (Temporary Power Supply Leshka)	1264715.68
23.201 (Residential Domestic (Urban) 201)	7334806.80
23.203 (Commercial (Urban) 203)	4262743.52
23.213 (Public Water Works (Urban) 213)	10737428.54
23.217 (Temporary Power Supply (Urban) 217)	96340.10



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23.616 (Sundry Debtors for Sale of Power SCF)	296718.00
23.618 (Sundry Debtors for Sale of Power (GEPL)	554.00
23.619 (Sundry Debtors for Sale of Power - MPPL)	0.58
23.701 (Sundry Debtors - Service Connections and Other Capital Receipts)	40817954.50
23.702 (Sundry Debtors - Deposits)	11496541.02
Total	166774641.80

However, the management has explained that:

- The above reflect Sundry Debtors only and not Deposit from Customers .Therefore there is no such case for treatment of the same as Deposit from Customers.
- On occasions, while booking of demand for the above receivables, the bifurcation of fixed charges and other relevant heads cannot often be correlated with the respective collection made thereof. Thereby, booking of collection is often recorded in lump-sum in other ledgers of receivables, under the same accounting group code 23.xxx. Hence, it may be stated that the accounting code 23.xxx is reflective of actual balance of receivables **in aggregate**. So, there appears no case for treating the above mentioned debtors as deposits; instead there is a case for correct bifurcation of debtors' heads under the group accounting code of 23.xxx. The same is under reconciliation.
- Due to the above mentioned problem of correlating debits with corresponding credits, often negative balances appear in certain heads of accounts.
- Due disclosure against the overall reasons for the negative balances has been made vide Note 30- Additional Information, point No. XI, to the Financial Statements.

04. Internal records of Institutional Sale Debtors Closing Balance as at 31st March 2017 widely differ from each other, which is evident from the under mentioned statements:

Party Name	Closing Balance as as per Statement of Superintendent on 31.03.2017	Closing Balance as as per Consolidated Trial Balance 31.03.2017
	Rs.	Rs.
A. Interstate Sale		
ASEB Interstate Sale Of Power	3,64,06,460.00	4,32,84,836.00
B. Deviation		
Deviation (Inter)	Nil	



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		39,38,27,824.29
Deviation (Intra)	12,41,572.00	15,01,39,211.00
C. Other Institutional Sales :		
VAR (Pool)	85,01,022.00	88,65,626.00
GVIL	69,47,520.00	-
SCF	8,85,33,234.00	(2,96,718.00)
RNB	1,13,640.00	-
Maithan	3,84,10,556.00	-
PCPL	60,18,258.00	-
MIZORAM	-	13,68,746.00
NTPC	-	10,08,263.00
Tata TPCL	-	21.00
LANCO	-	1,00,00,000.00
PTCIL	-	401.00

However, the management has explained that the aforesaid differences are under reconciliation.

05. Closing Book Balance of Debtors as at 31st March 2017 is Rs. Rs. 554.73 Crores in comparison to one year Sale of Rs. 690.65 Crores which is nearly 80.32% of Sales. In absence of detail with respect to age wise bifurcation of debtors and reconciliation of Debtors Ledgers with Concerned Divisions and Circle Debtors Ledgers and in absence of confirmation of Debtors Ledgers at least with institutional buyers, we are unable to express our opinion on the authenticity and justification of Closing Debtors amounting to Rs. 554.73 Crores.



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NOTE 5 (b): Cash & Cash Equivalents:

01. Under mentioned Bank Balances showing Credit Balances are subject to confirmation and reconciliation of the said balances.

Head of Accounts	Closing Balance as per Consolidated Trial Balance (Rs.)
24.301 (O) (Collecting Bank-Mahandraganj Rev S/D)	34049.00 Cr
24.301 (U) (Collecting Bank-Chokpot Rev S/D)	10.00 Cr
24.301(D) (Collecting Bank-Byrnihat Rev S/D)	17788589.02 Cr
24.301(E) (Collecting Bank-Jowai Rev S/D)	32363837.21 Cr
24.301(J) (Collecting Bank-Mawkyrwat Rev S/D)	699932.53 Cr
24.302(A) (Collecting Bank-Khliehriat Rev S/D)	537191.50 Cr
24.303(A) (Collecting Bank-Cherrapunjee Rev S/D)	796394.00 Cr
24.305(A) (Collecting Bank-Rev Div I&II(A))	64407.54 Cr
24.715 (E.G.H.) (RGGVY EAST GARO HILLS A/C)	1262.50 Cr
24.715 (S.G.H.) (RGGVY SOUTH GARO HILLS A/C)	1445.00 Cr
24.715 (W.G.H.) (RGGVY WEST GARO HILLS A/C)	8463.25 Cr
24.715 (W.K.H.) (RGGVY WEST KHASI HILLS A/C)	1880.50 Cr
24.734 (MePDCL IPDS A/c)	115.00 Cr

However, the management has explained that:

- In respect of accounting codes 24.715 (E.G.H, S.G.H, W.G.H, W.K.H) there exist two separate ledgers in Tally accounting pertaining the same, which actually belong to the same bank account. On aggregation of the two, there appears no credit balance.
- The reconciliation statements with regards to the above are prepared at the Divisional levels.

02. Cash on hand Rs. 3,35,26,469.20 is subject to confirmation by the management. However apparently the Cash on Hand Balance seems to be factually incorrect as the said Cash in Hand Balance is after set of under mentioned details credit balance of Cash in Hand amounting to Rs 55.78 Lakhs, as per under mentioned details:

Particulars	Closing Balance as per
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	Consolidated trial Balance (Rs.)
24.110(C) (Cash for Chest)	3599.03 Cr
24.161 (K) (Cash & Cheque Collection - Mendipathar.)	1888599.00 Cr
24.161 (S) (Revenue Cash & Cheque Coll-Williamnagar Rev S/D)	1689626.00 Cr
24.161 (T) (Revenue Cash & Cheque Coll-Ampati Rev S/D)	45111.40 Cr
24.161(C) (Revenue Cash & Cheque Coll-Nongpoh Rev S/D)	587572.46 Cr
24.161(I) (Revenue Cash & Cheque Coll-Mairang Rev S/D)	223666.00 Cr
24.161(J) (Revenue Cash & Cheque Coll-Mawkyrwat Rev S/D)	49237.00 Cr
24.161(N) (Revenue Cash & Cheque Coll-Bajengdoba S/D)	780875.00 Cr
24.161(P) (Revenue Cash & Cheque Coll-Tura Rev S/D)	196342.92 Cr
24.163(A) (Revenue Cash & Cheque Coll-Cherrapunjee Rev S/D)	113440.00 Cr
Total	55,78,068.81

However, the management has replied that:

- In respect of Cash & Cheque collection- Mendipathar {24.161(K)} and Williamnagar {24.161(S)}, which represent the biggest chunk of credit balances as shown above, the credit balances have arisen as a result of double booking in the said accounting codes while entering the data in Tally in F.Y. 2016-17. The same has been duly rectified in the books of F.Y. 2017-18.
- With regards to the other credit balances, reconciliation procedures are being undertaken.

03. The Balance of Other Bank Balance Term Deposit amounting to Rs. 53,05,37,747/- is inclusive of Rs. 4,42,05,335/- which has been accounted in term deposit account by transferring the earning directly to the retained earnings instead of routing of the same through Statement of Profit & Loss. Thus there is understatement of profitability by Rs. 4, 42, 05,335/- on account of this direct transfer to retained earnings.

NOTE 7: Other Current Assets:

01. Capital Advance (Interest Free) amounting to Rs. 23, 45, 73,193.89/- , is subject to confirmation from related parties and in absence of this we are unable to express our opinion on the authenticity of such huge balance. Further the authenticity of such huge balance seems to be also doubtful in view of under mentioned facts:

- a) Interest Free Opening Capital Advance amounting to Rs. 23.39 Crores. Virtually remained unadjusted during the whole year as the Interest Free Closing Advance balance amounting to Rs. 23.45 Crores is almost same as of opening balance.



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- b) There was further advance of Interest Free Capital Advance amounting to Rs. 5.08 Crores. And the corresponding adjustment of Capital advance was during the year for Rs. 5.01 Crores only.
- c) Thus current year advance has been virtually adjusted against the current year billing but huge Opening Advances of Rs. 23.39 Crores remained virtually unadjusted and the management could not also justify any valid reason for non adjustments of such huge interest free advance.
- d) Further the management also could not explain the reason of classification of opening balance of Interest free Capital Advance under Current Assets amounting to Rs. 23.39 Crores, in spite of the fact it remained unrealised and unadjusted for more than one year. Thus, there is overstatement of current assets by Rs. 23.39 Crores by consequential understatement of Non Current Assets.
02. The authenticity of Operational and Maintenance Advance amounting to Rs. 81,32,346.06 in absence of proper confirmation from the concerned related parties and its age-wise bifurcation and on its nature of transactions seems to be doubtful, in view of under mentioned enumerated facts:
- a) There was Opening Advance of Rs. 80.62 Lakhs and there is further advance of Rs. 0.70 Lakhs during the year but no adjustment of such advances could be made during the year, which is evident from the under mentioned furnished details:

Ledger Head as per Consolidated Trial Balance	Opening Balance (Rs.)	Debit During the Year (Rs.)	Credit during the Year (Rs.)	Closing Balance during the Year (Rs.)
26.500 (Advances To Suppliers (O&M)- Interest Free)	4362256.39 Dr			4362256.39 Dr
26.600 (Advances To Contractors (O&M) - Interest Free)	268480.09 Dr	65000.00		333480.09 Dr
28.811 (Expenses Recoverable From Suppliers)	36135.29 Cr	5000.00		31135.29 Cr
28.815 (Expenses Recoverable From Contractors)	27867.12 Dr			27867.12 Dr



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28.820 (Prepaid Expenses)	1516.75 Dr			1516.75 Dr
28.290 (Other Income- And Due) Accrued	3438361.00 Dr			3438361.00 Dr
Total	8062346.06Dr.	70,000 Dr.	0	8132346.06 Dr.

However, the management has replied that:

- The Company which is the distribution utility in the MeECL group, was made operational w.e.f. 01.04.2012 after re-vesting of assets and liabilities by the holding company as per Notification No. Power-79/2009/Pt-1/422 dated 29.04.2015.
- Certain balances have been assumed by the company as per the aforesaid notification. So, the above opening balances are also affected by such Transfer Notification related balances.
- Also, reconciliation of remaining dues, in addition to Transfer Notification related balances, is under process.

b) Further to that:

- i. interest free advances amounting to Rs. 46,95,736.48/- is carried over since many years.

And for this management has replied that:

Company which is the distribution utility in the MeECL group, was made operational w.e.f. 01.04.2012 after re-vesting of assets and liabilities by the holding company as per Notification No. Power-79/2009/Pt-1/422 dated 29.04.2015. Certain balances have been assumed by the company as per the aforesaid notification. So, the above balances of interest-free advances are also affected by such Transfer Notification related balances. Also, reconciliation of remaining dues, if any, in addition to Transfer Notification related balances, is under process.

- ii. There is opening credit balance amounting to Rs. 36135.29 under the head expenses recoverable from suppliers and it has been shown under the head Operational and maintenance advance.

But the management has replied that: The amount has been taken as per Transfer Notification No. Power-79/2009/Pt-1/422 dated 29.04.2015 issued by Government of Meghalaya.

- iii. Opening Prepaid expenses of Rs. 1516.75/ could not be adjusted and booked in Profit & Loss Statement.



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03. Staff related advances amounting to Rs. 3,09, 91,128.42/- includes under mentioned balances, which clearly shows the natures of its unexplained accounting entries. Further management could not explain why the unadjusted advances/ liabilities carried forward as its from the preceding year could not be shown and classified under Non Current assets/ Or Non Current Liabilities.

Particulars	Opening Balance (Rs.)	Debit During the Year (Rs.)	Credit During the Year (Rs.)	Closing Balance (Rs.)	Remarks
27.101 (Houses Building Advances)	1183586.57 Cr	902.00		1182684.57 Cr	How Credit Balance can be possible under this head.
27.102 (Motor Car)	90991.02 Dr			90991.02 Dr	Why Opening advance could not recovered during the Year.
27.103 (Scooter/ Motor Cycle)	162459.87 Cr			162459.87 Cr	How Credit Balance can be possible under this head.
27.201 (TA)	5393256.31 Dr	901510.00	1410160.00	4884606.31 Dr	Why adjustment could be made only for nearly 14.10 Lakhs against the opening advance of Rs. 53.93 lakhs, inspite of having its nature of temporary advance.
27.202 (Salary)	12115.57 Dr			12115.57 Dr	Why Opening advance could not be recovered during the Year.
27.207 (LTC)	68000.00 Dr	105045.00		173045.00 Dr	Why adjustment could not be made, inspite of having its



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					nature of temporary advance.
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27.820 (Adv Payment for Staff Welfare, Misappropriation, Sports and Games, Independence Day, Corp Day Etc (If Sanctioned As Advance))	22085.54 Dr			22085.54 Dr	Why adjustment could not be made, inspite of having its nature of temporary advance.
27.890 (Miscellaneous Loans And Advances)	9706.09 Dr		32100.00	22393.91 Cr	How the recovery could be made more than the overall advances.
27.890(A) (Misappropriation)		1616567.00	1672442.00	55875.00 Cr	Why adjustment could not be made, inspite of having its nature of temporary advance.

04. Under mentioned related parties receivables are subject to confirmation and reconciliation with the concerned parties:

Meghalaya Energy Corporation Limited (MeECL)-	Amount (Rs.)
Receivables against Remittances of Cash and Cash Equivalents	1535360516.74
Receivables against Remittances of Fuel, Materials, Personnel and Others	60252065.29
Receivables against Operations, Capital and Others	3647142175.16
Meghalaya Power Generation Corporation Limited (MePGCL)-	
Receivables against Operations, Capital and Others	557840379.04
Meghalaya Power Transmission Corporation Limited (MePTCL)-	
Receivables against Operations, Capital and Others	410213882.00



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05. The management could not provide us the details about the related parties from whom such huge balance of Rs.179, 83, 43,736.99 is receivables since on or before 31st March 2015. In absence of any valid explanations and confirmations from any recognised party, it clearly reflects that there is overstatement of Other Current Assets by Rs. 179.83 Crores. As on 31st March 2017.

However, the management has explained that:

- This amount relates to the segregation of Principal Account during the F.Y. 2014-15 and the same has been booked under one accounting head i.e., 39.Inter.
- However it may kindly be noted that the consolidated balance of the group under this inter-company head has been set-off to NIL, as can be seen from the group's Consolidated Financial Statements.

NOTE 9: Other Equity:

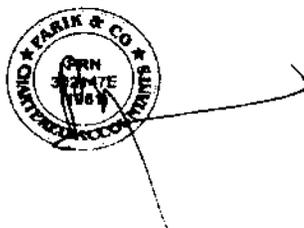
There is amortisation of Capital Reserve amounting to Rs. 96,20,500 by consequential credit of income under the Head Prior Period Income in Note 20 of Standalone Ind As Financial Statement and thereby Capital Reserve portion has been ultimately transferred to Revenue Reserve.

And for this the management has explained that:

- Capital Reserve is inclusive of grants received from the government during previous years, which subsequently had not been amortised earlier. However, the grants have been subsequently amortised to the full in the Financial Year 2016-17.
- The aforesaid treatment has been passed vide Board Resolution No. 17(III), point no. 6 of 60th Meeting of Board of Directors of the Company held on 24th November, 2017.

NOTE 12: Other Current Liabilities:

01. The Balance of Security Deposit and retention money payable amounting to Rs. 435212956.03 is subject to confirmation and reconciliation from concerned Circle and/ or Divisions.



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02. As per consolidated Trial Balance furnished to us the above security deposit is after netting off of under mentioned Debit balances of Rs. 12,22,372/- which is being carried forward from several years. The management could not explain us the justification for either possibility of recovery of the debit balance or reason for accounting of the same under the head liability. Thus apparently Other Current Liabilities is seems to be understated by Rs. 12,22,372/-

Particulars of Ledger Head	Closing Debit Balance (Rs.)
47.311 (Deposit for HT Service Connection)	2813.00
47.311(A) (Deposits For Service Connections 33KV)	4420.00
47.601 (Misc. Deposit From Consumers(Incl. Load Security))	1213440.00
48.100 (Security Deposit From Consumers)	1699.00
Total	12,22,372.00

03. Other Current Liabilities includes Deposit from Temporary Service Connection amounting to Rs. 529870/- , which is also being carried forwards from several financial years. The management could not explain the reason that why this deposit against temporary connection (which is meant for service connection of very short span of time) is lying unadjusted from several last years.

NOTE 13 (a): Financial Liabilities (Borrowings):

The under mentioned balance forming part of Financial Liabilities (Borrowings) is subject to verification and confirmation and reconciliation statements with concerned lenders:

Sl no.	Name of Lender and or nature of Loan	Closing Balance as per Books of Accounts
1	Overdraft Accounts with Central Bank of India	Rs. 706,00,000/-
2	Overdraft Accounts with Punjab National Bank	Rs. 13,98,37,931/-

NOTE 13 (b): Financial Liabilities (Trade Payables):

01. Trade Payable against purchase of Power from Outside Parties amounting to Rs. 552,39,44,845/- representing the payable to under mentioned parties are subject to confirmation and reconciliation from the concerned power suppliers.
02. Further party wise details of Power Suppliers provided by the Deputy Chief Accounts Officer (Compilation) do not match with the Statement of Power Supplier provided by Superintendent Engineer (EM) MePDCL, which is evident from the under mentioned details, but the management could not explain the reason of such differences between their own



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internal records. Hence in view of non availability of party wise confirmation from power suppliers we are unable to express our opinion on the authenticity of balances appearing under this head.

As per Party wise Details Provided by Deputy Chief Accounts Officer (Compilation) (and the consolidated balance of Opening and Closing thereof also match with consolidated Trial Balance)				
Party Name	Opening Balance (Rs.)	Cr. (I.e. Purchases) (Rs.)	Dr. (I.e. Payment or rebate allowed) (Rs.)	Closing Balance as per DCAO
	Rs.	Rs.	Rs.	Rs.
NEEPCO	5700585819.00 Cr	1525082548.00	3609649169.00	3616019198.00 Cr
NTPC	0.00 Cr	1055970130.00	113917201.00	942052929.00 Cr
NHPC	285102776.00 Cr	42384267.00	15000000.00	312487043.00 Cr
PTCIL	30163675.00 Cr	16141208.00	15000000.00	31304883.00 Cr
SCF	71834260.00 Cr	0.00	0.00	71834260.00 Cr
APPCL	0.00 Cr	13928956.00	8631637.00	5297319.00 Cr
UI	101485115.00 Cr	105788704.00	203666719.00	3607100.00 Cr
NVVN	2965433.00 Cr	0.00	0.00	2965433.00 Cr
VAR Pool	4311846.00 Cr	0.00	0.00	4311846.00 Cr
VAR ASEB	6199814.00 Cr	0.00	0.00	6199814.00 Cr
POSOCO	2043503.00 Cr	10428158.00	11794922.00	676739.00 Cr
MPPL	874469.00 Cr	96798714.00	75434477.00	22238706.00 Cr
OTPC	411323263.00 Cr	1301921190.00	1214339187.00	498905266.00 Cr
UI INTRA	6044309.00 Cr	0.00	0.00	6044309.00 Cr
Total	6622934282.00 Cr	4168443875.00 Cr	5267433312.00 Cr	5523944845.00 Cr
As Per Note 13 (b) of Financial Statement	6622934282.00 Cr			5523944845.00 Cr



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As per Statement of Superintendent Engineer (EM) MPDCL Vs. Ledger Statement :

Statement of Superintendent Engineer (EM) MPDCL						
Party Name	Opening Balance	Power Purchase Plus Surcharge Less Credit Bill Less Rebate	Net Payment / Adjusting amount from Sale	Closing Balance	Party wise Closing Balance as DCAO (Compilation)	Difference
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
NEEP CO	5700585819.00 Cr	1525082548.00	3609649169.00	3616019198.00 Cr	3616019198.00	0.00
NTPC	0.00 Cr	1055970130.00	113917201.00	942052929.00 Cr	942052929.00	0.00
NHPC	285102776.00 Cr	38240868.00	10856601.00	312487043.00 Cr	312487043.00	0.00
PTCIL	30829930.00 Cr	16141208.00	15000000.00	31971138.00 Cr	31304883.00	666255.00
SCF	0.00 Cr	0.00	0.00	0.00 Cr	71834260.00	-71834260.00
APPC L	0.00 Cr	13924975.00	8627656.00	5297319.00 Cr	5297319.00	0.00
Deviati on (Inter)	101485115.00 Cr	105788704.00	203666719.00	3607100.00 Cr	3607100.00	0.00
NVVN	2965433.00 Cr	0.00	0.00	2965433.00 Cr	2965433.00	0.00
VAR Pool	3990033.00 Cr	0.00	0.00	3990033.00 Cr	4311846.00	-321813.00
VAR ASEB	0.00 Cr	0.00	0.00	0.00 Cr	6199814.00	-6199814.00
POSO CO	2043503.00 Cr	10214344.00	11581108.00	676739.00 Cr	676739.00	0.00
MPPL	874469.00 Cr	96798714.00	75434477.00	22238706.00 Cr	22238706.00	0.00



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OTPC	411323263.00 Cr	1301921190.0 0	1214339187.00	498905266.00 Cr	4989052 66.00	0.00
UI INTRA	6044309.00 Cr	0.00	0.00	6044309.00 Cr	6044309. 00	0.00
Total	6545244650.00 Cr	4164082681.0 0 Cr	5263072118.00 Cr	5446255213.00 Cr	5523944 845.00 Cr	
Balance as per Note 13 (b)	6622934282.00 Cr			5523944845.00 Cr		
Total as per DCAO Statement	6622934282.00 Cr	4168443875.0 0 Cr	5267433312.00 Cr	5523944845.00 Cr		

03. Hence in view of non availability of party wise confirmation from power suppliers and the internal differences of Financial Figures related to Power Purchases & Opening Balance and Closing Balances of concerned suppliers, we are unable to express our opinion on the authenticity of balances appearing under this head.



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NOTE 13 (c): Other Financial Liabilities:

01. Interest accrued on borrowings – Payable to others Rs. 31,89,03,808/- is after netting off of under mentioned closing debit balances of Rs. 51,85,11,553 /- which basically represents for receivables / excess payment made or claimed as refundable. But the management could not provide us any valid justification of such receivables from lenders and hence it apparently shows the wrong accounting entries and hence consequential understatement of Financial Liabilities by Rs. 51.85 Crores.

Head of Accounts as per Consolidated Trial Balance	Closing Balance of Debit (i.e. Receivables)
51.202 (Interest Accrued and Due on Loan From REC Resh.)	9,97,54,283
51.202 (Interest Accrued and Due From REC)	13,45,32,614
51.202 (RG) (Interest Accrued & Due on Loan From REC (RGGVY))	4,50,00,101
51.202(MTL-I) (Interest Accrued & Due on Loan From REC (MTL-I))	16,97,98,004
51202(MTL-II) (Interest Accrued & Due on Loan From REC MTL - II)	6,94,26,551
Total of Debit Balances	51,85,11,553

02. Interest accrued on borrowings – Payable to others Rs. 31,89,03,808/- (after netting off debit balance of Rs. 51,85,11,553) includes under mentioned reflected liabilities payable to the lenders amounting to Rs 35.56 Crores. To whom there is no principal loan payable at least from an onwards as on 31st March 2015. Thus it clearly reflects that there is wrong accounting entries and wrong carry forward of liabilities which are not payable at by Rs. 35.56 Crores. And hence there is consequential over statement of Financial Liabilities by Rs. 35.56 Crores.

Ledger Head as per Consolidated Trial Balance	Closing Credit Balance Cr. (Rs.)
51.202 (Interest Accrued and Due Loan From LIC)	298003443
51.202 (RG) (Interest Accrued & Due on REC(RGGVY))	45000101
51.206 (S) (Interest Accrued & Due on State Govt Loans)	11363814
51.215 (Interest Accrued and Due on IOB Loan)	1267191
Total	35,56,34,549



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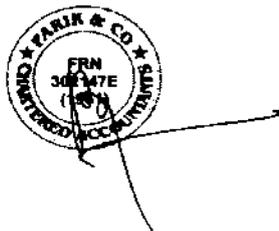
(Referred to in Paragraph 4 of our report even date)

Auditor's Observation and Qualification on Notes of Standalone Financial Statement

NOTE 15: Current Tax Liabilities:

01. Direct Tax Liabilities amounting to Rs. 67,15,043.35 is after netting of concerned Debit Balances of Rs. 2,63,64,223.52/-, as per under mentioned details. Some of those balances seems to appear to carried forward from last preceding years, but the management could not explain the facts that why the concerned related accounting balances were not reconciled and not set off with concerned debit entries or the actual statutorily liability (if really payable) could not be paid even after expiry of statutory due date. Further in absence of details about exact periodical bifurcation of the concerned liabilities we are unable to express our view about the authenticity of the said net closing balance of Rs. 67,15,043.35/-

Direct Tax Liabilities: (Closing Balance)	Dr (Rs.)	Cr (Rs.)	Opening Balance C/fd as Closing
44.401 (Income Tax Deducted at Source From Staff Payments)		253559.69	Yes
44.401(A) (Income Tax Deducted At Sources (Deduction))		5410484.00	
44.401(B) (Income Tax Deducted At Sources (Payment))	5694770.00		
44.407 (A) (Profession Tax Recovery)		9098129.00	
44.407 (B) (Profession Tax Remitted to Govt)	8965160.00		
44.407 (Profession Tax Recovered)		2649276.53	Yes
46.924 (A) (ITDS on Payment to Contractors)		10033304.00	
46.924 (B) (ITDS on Payment to Contractors Remitted to Govt)	10455448.00		
46.924 (Edu Cess Paid to Central Govt)		2282158.45	Yes
46.925 (A) (ITDS on Other Payment)	1248845.32		Yes
46.925 (B) (ITDS on Other Payment Remitted to Govt)		3352355.00	
Total	2,63,64,223.32	3,30,79,266.67	
Net Credit balance as at 31st March 2017.		6715 043.35	



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02. Indirect Tax Liabilities amounting to Rs. 28,02,12,084.94/- is after netting of concerned Debit Balances of Rs. 6,69,45,000.26/- , as per under mentioned details. Some of those balances seems to appear to carried forward from last preceding years, but the management could not explain the facts that why the concerned related accounting balances were not reconciled and not set off with concerned debit entries or the actual statutorily liability if really payable then why could not be paid even after expiry of statutory time limit. Further in absence of details about exact periodical bifurcation of the concerned liabilities we are unable to express our view about the authenticity of the said net closing balance of Rs. 28,02,12,084.94/-

Indirect Tax Liabilities (Closing Balances)	Dr (Rs.)	Cr (Rs.)	Remarks
46.301 (E.D. And Other Levies Payable To Government)		257746664.08	Provision of the current Year.
46.302 (A) (Royalty Deducted From Contractors)		5731811.94	
46.302 (B) (Royalty Remitted to Govt.)	3091857.00		
46.440 (Provision for Service Tax)		336003.97	Op Cl Same
46.926 (MFT)		3400365.11	Op Cl Same
46.927 (A) (Value Added Tax Deducted at Source)		77901609.97	
46.927 (B) (Value Added Tax Remitted to Govt.)	62698540.00		
46.928 (Recovery From Contractors for Explosive)	1697.26		
46.929 (A) (Labour Cess Deducted at Source)		1964004.13	
46.929 (B) (Labour Cess Remitted to Govt.)	1152906.00		
46.Service Tax (Service Tax)		76628.00	
	6,69,45,000.26	34,71,57,087.20	
Net Credit Balance as at 31st March 2017.		280212086.94	



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NOTE 16: Other Current Liabilities:

01. Other Current Liabilities amounting to Rs. 1481,14,05,213.06 is subject to confirmation and reconciliation from the concerned related suppliers.
02. Other Current Liabilities include under mentioned balances carried forwards since preceding years. The management could not explain the reason of non adjustment or non payments of the said liabilities or the reason of presentation of the said liabilities under the head Current Liabilities:

Liabilities for Capital Supplies	Closing Credit Balance
42.200 (Suppliers Control Account Capital)	Rs. 89406711.53
42.500 (Contractor's Control(Capital))	Rs. 2515533.18
Liabilities for Operational and Maintenance Related Supplies	
43.100 (Liability, For Supply Of Materials Works-O & M)	Rs. 3374253.72
43.500 (Contractor's Control (O&M))	Rs. 1158979.00
43.600 (Provision for Liability for Works (O&M))	Rs. 8562656.60

03. Staff related liabilities of Rs. 28, 99, 67,232.03/- is the net liability after netting off under mentioned balances debit and credit balances. Many of the accounts have corresponding debit and credit balances which have not been reconciled and have not been set off and the reason thereof also could not be explained by the management. Further there is no provision of liability during the current financial year for some certain accrued liabilities like Gratuity, Pension, Bonus, as the balances thereof have been carried forward and kept as same as at 31st March 2017. Many of liabilities balances under this head has been carried forward from the preceding years but the balances thereof remained unchanged during the current financial years but the party wise details thereof could not be produced and explained by the management and nor the management could explain the reason of classification of the said liabilities under the head Current Liabilities instead of under the Head Non Current Liabilities. This facts is evident from under mentioned details:

Staff Related Liabilities	Dr. Balance (Rs.)	Cr. Balance (Rs.)	Remarks
44.110 (Provision For Gratuity)		6735601.81	Opening Closing remained unchanged. Why not further
44.120 (Provision For Pension)		2180987.25	
44.130 (Provision For Bonus)		123178.00	
44.140 (Provision For Pay and Allowances)		2179995.44	



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			Provision made for the year
44.150 (Provision For Other Staff Related Liabilities)		7328612.13	For which Purpose.
44.210 (Unpaid Salaries)		134278.00	Opening Closing remained unchanged.
44.310 (Net Salaries Payable)		62790946.09	
44.310(ADA) (Arrear DA)	21259604.00		
44.330 (Liabilities For Medical Expenses)		2644123.05	
44.340 (Liabilities Earned Leave Encashment)		1491952.45	
44.360 (Leave Salary , Pension for Corp Employee Deputed Outside)		27496180.75	Opening Closing remained unchanged.
44.402 (Employees Contribution to CPS)		5268.34	
44.404 (Liability for Corporation's Contribution to CPS)		41796.83	
44.406 (A) (LIC Recovery)		29143920.00	
44.406 (B) (LIC Payment)	28711751.00		
44.406 (LIC Recovered)		762463.76	Opening Closing remained unchanged.
44.409 (CTD Recovered)		4000.00	
44.410 (Emp Cont to ESIS)		85334.94	
44.412 (A) (Employees Vol Contribution to GPF)		223438119.00	Why double Ledger when there is one



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			specific Ledger for this head under Code 44.412.
44.412 (B) (Final Withdrawal GPF/NRA)	129908760.00		
44.412 (C) (Interest on GPF)		1217739.00	
44.412 (Employees Voluntary Contribution to GPF)		77245938.25	Opening Closing remained unchanged. Why not set off with remittances.
44.429 (Misc Recoveries)		418000.34	
44.429 D (Miscellaneous Recoveries From Staff-Deputations)	231960.00		Opening Closing remained unchanged.
44.429 H/Rent to Govt Qtr. (Misc. Rec. - H/Rent to Govt. Qtr.)	8477.00		
44.429 Society (Misc Recoveries - Society)		250615.00	unchanged.
44.429(B) (BANK LOAN PAYMENT)	14865821.00		Why could not be set off with Ledger Head 44.429(A)
44.429(M) (Maintenance Allowance)		8000.00	
44.429(M) (MAINTENANCE)		64800.00	
44429(A) (Bank Loan (Staff))		161052.00	
44429(A) (BANK LOAN RECOVERY)		14978639.00	
46.930 (Amounts Recd From LIC for Claims Under Group Insurance Scheme)		351564.26	



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46.936 (Liability for CPS Fund Emp and Corp Emp and Corp (Board of Trustees of CPF))		23670499.34	
Total	19,49,86,373.00	48,49,53,605.03	
Net Cr. Balance as on 31 st March 2017.		28,99,67,232.03	

04. **Security Deposits and Retention Moneys Payable** Rs. 43,78,67,139.53/- is the net liability after netting off under mentioned reflected debit and credit balances. Many of the accounts have corresponding debit and credit balances by way of double or triple ledgers of the same account, but remained inter head unreconciled and unadjusted and the reason thereof also could not be explained by the management. Further many of the accounts balances has been carried forward as its from preceding financial years but the party wise details thereof could not be produced and explained by the management and nor the management could explain the reason of classification of the said liabilities under the head Current Liabilities instead of under the Head Non Current Liabilities. This facts is evident from under mentioned details:

Security Deposits and Retention Moneys Payable	Closing Balance	Remarks.
Reconciled. 28.930 (Securities From Suppliers/Contractors in the Form of Fixed Deposits)	13190.76 Cr	Opening Closing Same.
46. 105 (B) (Retention Money From Suppliers/Contractors-Capital(B))	91877.00 Dr	
46.101 (A) (Security Deposit In Cash-Capital)	20252952.99 Cr	Same Group but not reconciled.
46.101 (B) (Security Deposit In Cash-Capital (B))	16912760.00 Dr	
46.102 (A) (Security Deposits Other Than In Cash-Capital (A))	81539484.00 Cr	Same group but not reconciled.
46.102 (B) (Security Deposits Other Than In Cash-Capital (B))	25152055.00 Dr	
46.102 (Security Deposits Other Than In Cash-Capital)	39819666.63 Cr	Opening closing Same.
46.103 (Earnest Money Deposit Cash-Capital)	116730.24 Cr	Opening closing Same.
46.105 (A) (Retention Money From Suppliers/Contractors-Capital(A))	5112119.00 Cr	Same group but double ledgers.
46.105 (Retention Money From Suppliers/Contractors-	638136.27 Cr	



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Capital)		
46.121 (B) (Security Deposit In Cash-O & M (B))	8263429.00 Dr	Same group but double ledgers.
46.121 (A) (Security Deposit In Cash-O & M (A))	23602305.87 Cr	
46.121 (Security Deposit In Cash-O & M)	1075284.22 Cr	Opening closing Same.
46.122 (B) (Security Deposits Others Than In Cash O & M (B))	307325.00 Dr	Opening closing Same.
46.122 (A) (Security Deposits Others Than In Cash O & M (A))	26118665.00 Cr	Same group but double ledgers.
46.122 (Security Deposits Others Than In Cash O & M)	15535.09 Cr	
46.123 (B) (Earnest Money Deposit Cash-Capital (46.123 B))	20000.00 Dr	Opening closing Same.
46.123 (Earnest Money Deposit Cash-O&M)	439975.74 Cr	Opening closing Same.
46.124 (A) (Earnest Money Deposit Other Than Cash-Capital 124A)	4095.00 Cr	Opening closing Same.
46.124 (Earnest Money Deposit Other Than Cash-O&M)	34941.48 Dr	Opening closing Same.
46.125 (B) (Retention Money From Suppliers/Contractors- O & M(B))	859476.00 Dr	Same group but double ledgers.
46.125 (A) (Retention Money From Suppliers/Contractors- O & M(A))	6228852.00 Cr	
46.125 (Retention Money From Suppliers/Contractors- O & M)	765094.14 Cr	
46.126 (B) (Security Deposit- Vehicle Hiring (B))	5290474.00 Dr	Same group but double ledgers.
46.126 (A) (Security Deposit- Vehicle Hiring (A))	6650904.00 Cr	
46.126 (Security Deposit- Vehicle Hiring)	696853.81 Cr	Opening closing Same.
46.910 (Stale Cheques)	1977.00 Cr	Opening closing Same.
46.920 (Security Deposits From Employees)	20398.83 Cr	Opening closing Same.
46.921 (Deposits for Execution of Jobs/works(Deposit Works))	506937729.42 Cr	
46.921 IBBFL (CE) (Deposit Works IBBFL (CE))	271557.00 Dr	
46.921 IBBFL (EE) (Deposits Works IBBFL (EE))	145036170.00	



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ANNEXURE C TO INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2017

(Referred to in Paragraph 4 of our report even date)

Auditor's Observation and Qualification on Notes of Standalone Financial Statement

	Dr	
46.921 IBBFL(SE) (Deposit Works IBBFL (SE))	532364.00 Dr	
46.921 SSL (CE) (Deposit Works Solar Street (CE))	55327.00 Dr	Opening closing Same.
46.921 SSL (EE) (Deposit Works Solar Street (EE))	36752055.00 Dr	Opening closing Same.
46.921(B) (Deposits for Execution of Jobs/works(Deposit Work)B)	42864446.00 Dr	
46.921(SE) (Deposit Works Solar Street Light (SE))	37112.00 Dr	Opening closing Same.
46.SD (Franchise) (Security Deposit (Franchisee))	295408.00 Cr	Opening closing Same.
46.Service Tax (Service Tax)	76628.00 Cr	
46921(J) (IBBFL EE RE Jowai)	3150.00 Cr	

05. Liability for Expenses Rs. 77, 17, 16,231.63/- includes is the net liability after netting off under mentioned reflected debit and credit balances.

46.410 (Sundry Creditors For Expenses)	Rs. 602220076.00 Cr
46.430 (Provision For Liability For Expenses)	Rs. 168994747.63 Cr
46.932 (Excess Payment Recoverable From Contractors/suppliers)	Rs. 501468.00 Cr
49.102 (Other Misc Liability)	Rs. 60.00 Dr
Total of Net Credit Balance	Rs. 77,17,16,231.63 Cr.



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- a) Liability under the head 46.410 Sundry Creditors for Expenses amounting to Rs. 60,22,20,076.00 is stated to be payable to PGCIL amounting to Rs. 45,61,73,945 and to & ASEB amounting to Rs. 14,60,46,131/- in respect of wheeling charges which is absolutely related with Power Purchase but the management could not explain the reason of not classification of this expenses under Note 13(b) Financial Liabilities (Trade Payable). Further the said two balances payable to PGCIL & ASEB is also subject to confirmation and reconciliation and the internal records furnished by Superintendent Engineer (EM) & DCAO (Compilation) also contradicts with the financial transaction records with the stated two parties PGCIL & ASEB, which is evident from the under mentioned facts:

Particulars	As per Statement of DCAO			As per Statement of Superintendent Engineer (EM)		
	PGCIL	ASEB	Total	PGCIL	ASEB	Total
Opening Balance	44,24,41,617	14,60,46,131	58,84,87,848	43,26,73,711	0	43,26,73,711
Purchases less rebate availed	117,15,18,858	0	117,15,18,858	117,14,31,525	0	117,14,31,525
Payment	115,77,86,530	0	115,77,86,530	115,76,99,194	0	115,76,99,194
Closing Balance	45,61,73,945	14,60,46,131	60,22,20,076	44,64,06,042	0	44,64,06,042

However, Wheeling Charges from Outside Parties booked in Financial Statement Note 21: Rs. 117, 15, 18,858/- , which match with DCAO Statement but do not match with Superintendent Engineer (EM) statements.

Further the management could not justify that when there is no transaction of Wheeling Charges from ASEB then why opening receivable of ASEB could not be pressed for payment.

- b) Liability under the head 46.430 amounting to Rs. 16, 89, 94,747.63 is subject to confirmation and reconciliations with concerned details, which could not be produced for our verification.
- c) The management could not explain us due justification about the credit balances i.e. payable under the head of recoverable as the stated liability of Rs. 501468.00 is stated to be recoverable under Ledger Head 46.932 (Excess Payment Recoverable From Contractors/suppliers). Further the management also could not produce us party wise details of such stated liabilities.



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ANNEXURE C TO INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2017

(Referred to in Paragraph 4 of our report even date)

Auditor's Observation and Qualification on Notes of Standalone Financial Statement

- d) The management could not explain us the party wise details of 49.102 (Other Misc Liability) receivable Rs. 60/- which is also being carried forward from last several years.
06. Balance reflected under the head Related Parties Payables to MeGCL (Rs. 168,53,55,357.32) MePGCL (Rs. 739,10,00,623.58) & MeTPCL (Rs. 284,13,61,367.91) are subject to confirmation and reconciliation from the concerned related parties.
07. There is absolutely unexplained liability of Rs. 117,68,20,704.88/- classified under the head Liabilities for Expenses with Related Party Payables, which is carried forward as it is at least from on or before 31st March 2015. Further the management could not explain the justification of presentation of the said Liability of Rs. 117.68 Crore under the head Current Liabilities, when it is not paid at least since last three years. Apparently it reflects overstatement of Financial Liabilities under the Head Other Current Liabilities by Rs. 117.68 Crores.

NOTE 17: Revenue from Operation:

01. Revenue from Operation figure amounting to Rs.686.61 Crores is subject to confirmation and reconciliation with concerned Circle/ Divisions/ and bulk institutional buyers.
02. Revenue from Operation is inclusive of rebate on purchase of Energy amounting to Rs. 3,01,147/- , which is absolutely related with Purchases of Power and hence should had shown as deduction from Power Purchases Cost under Note 21 of the Financial Statement. Thus both the Sale and purchases are apparently overstated by Rs. 301,147/-.
03. There is overall decrease in Power Sale Amount inspite of substantial increase in Power Purchase Cost, in comparison of just preceding Financial Years, which is evident from the under mentioned financial details :

Particulars	Financial Year 2016-17	Financial Year 2015-16
A. Gross Sale of Power (Excluding Subsidy)	Rs. 686.61 Crores	Rs. 735.30 Crores
B. Power Purchase Cost	Rs. 853.57 Crores	Rs. 783.52 Crores
C. Excess of Power Purchase Cost Vs. Sale of Power (B-C)	Rs. 166.96 Crores	Rs. 48.22 Crores.
D. % age of Excess Power Purchase Cost Vs. Sale of Power in Comparison to Power Purchase (C/B*100)	19.56%	06.15%



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ANNEXURE C TO INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2017

(Referred to in Paragraph 4 of our report even date)

Auditor's Observation and Qualification on Notes of Standalone Financial Statement

The above referred substantial fluctuation in % age of Excess Power Purchase Cost Vs. Sale of Power in Comparison to Power Purchase Cost with respect to just preceding financial years clearly indicates the possibility of :

- substantial under booking or under billing of Power Sale Figure, and / or
- substantial over booking of Power Purchase Cost , and/ or
- Substantial transmission loss of power due to either mismanagement or loose internal control system to prevent the possibility of substantial theft of power.

We could not be furnished the Quantitative Data with respect to Purchase & Sale of Power during the year-end of the just preceding financial year hence we are unable to make comparative analysis of transmission loss of power in quantitative terms and hence we are unable to offer our comments on %age of Transmission Loss of Power in quantitative terms.

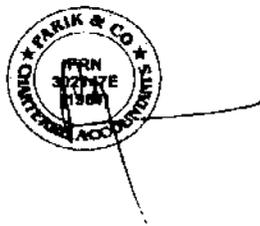
We could not be furnished due explanation from the management for reason of this substantial fluctuation in % age of Excess Power Purchase Cost Vs. Sale of Power in Comparison to Power Purchase Cost and neither we could be furnished the quantitative details of Input and Output of Power, hence we are unable to express our view on reliability and authenticity of major part of Revenue i.e. Power Sale Figure of Rs. 686.61 Crores.

04. As per Clause XVI of Note 30 of Additional Information accompanying the Standalone Financial Statement , the Corporation is also engaged in Swapping of Power and furnished the under mentioned details with respect to Swapping of Power:

Particulars	Financial Year 2016-17	Financial Year 2015-16
Power Availability through Swapping	356.38 Million Units.	345.91 Million Units.
Power Sale through Swapping	373.18 Million Units.	367.80 Million Units.

The management has explained that:

- the above referred swapping of Power has not been recorded in Financial Term since the Company use to swap its surplus power to Tripura Electricity Corporation and procure the said swapped deposited Power from Tripura Electricity Corporation in case of shortage of Power in MePDCL in exchange of supplied Power.
- MePDCL has right to get back the said deposited Power (calculated as Power Sale through Swapping minus Power Availability through Swapping) with Tripura Electricity Corporation with respect to swapping transaction at free of cost.



Meghalaya Power Distribution Corporation Limited::Shillong

ANNEXURE C TO INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH, 2017

(Referred to in Paragraph 4 of our report even date)

Auditor's Observation and Qualification on Notes of Standalone Financial Statement

But the management could not:

- a) Produce us the figure of Balance Deposited Power (calculated as Opening Balance of Deposit plus Power Sale through Swapping minus Power Availability through Swapping) receivables as on 31st march 2017. and
- b) Explain the facts that why the balance of Deposited Power (calculated as Opening Balance of Deposit plus Power Sale through Swapping minus Power Availability through Swapping) should not be treated as inventory of MePDCL and should not be accounted in Books of Accounts at MePDCL Cost Price.

Thus there is apparently understatement of inventories and consequential profitability due to not accounting of Balance Deposited Power in relation to Swapping Transaction. In absence of non availability of quantitative details of Balance Deposited Power in relation to Swapping Transaction, we are unable to quantify the impact of this non accounting in Standalone Ind As Financial Statement for the year ended 31st March 2017.

NOTE 28: Significant Accounting Policies:

Although the Significant Accounting Policies mention the Compliance of Ind AS but Standalone Financial Statement is not in consonance and in conformity with Ind AS, as there is non compliance of under mentioned significant Ind AS:

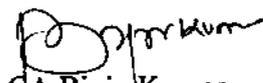
- i. *Guidance on First Time Application of Ind AS relating to Transitional Adjustments in retained earnings due to Fair Value Concept and Disclosures and Reconciliation to Indian GAAP to explain effect of transition to Ind AS (Ind AS 101),*
- ii. *Fair Value Measurement (Ind AS 113),*
- iii. *Valuation of Inventories (Ind AS 2) with respect to valuation of obsolete items at realisable value.*
- iv. *Impairment of Assets (Ind AS 36),*

For PARIK & CO

Chartered Accountants

FRN: 302147E

CAG Empanelment No. : ER0855


CA Bipin Kumar
Partner

ICAI Membership No. 059805

Place : Camp at Shillong

Date : 14th August 2018.



Meghalaya Power Distribution Corporation Limited

**ANNEXURE D TO INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31ST MARCH, 2017
(Referred to in Paragraph 5.3 of our report even date)**

Compliance Certificate

We have conducted the Audit of Accounts of **Meghalaya Power Distribution Corporation Limited**, having its Registered office at Lumjinshai (Meghalaya), for the Financial Year ended 31st March, 2017 in accordance with the Directions issued by the Comptroller & Auditor General of India under Section 143(5) of the Companies Act, 2013 and certify that we have complied with all the Directions / Sub-directions issued to us.

For PARIK & CO
Chartered Accountants
FRN: 302147E
CAG Empanelment No: ER0855



CA Bipin Kumar
Partner
ICAI Membership No 059805
Place: Camp at Shillong
Date: 14th August 2018

Enclosed: Reply on directions/ sub directions issued by C&AG of India under Section 143(5) of the Companies Act, 2013.

**MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED :: MEGHALAYA
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017**

Enclosures to Annexure D

**AUDITOR'S COMMENTS ON DIRECTIONS UNDER SECTION 143(5) OF THE
COMPANIES ACT, 2013**

Sl. No.	Directions	Action Taken
1.	If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process.	The Company has not been selected for disinvestment during the Financial Year 2016-17.
2.	Please report whether there are any cases of waiver / write off of debts/ loans /interest etc., if yes, the reasons there for and the amount involved.	According to information provided to us there are no cases of waiver / write off of debts/ loans /interest etc.,
3.	Whether proper records are maintained for Inventories lying with third parties & Assets received as gift from Govt. or other Authorities.	No Inventory is lying with third parties and nor any Asset has been received as gift from Govt. or other Authorities. However the company is engaged in Swapping of Power and it has some surplus deposit of unaccounted power (in Financial Term) with Tripura State Electricity Corporation.
4.	A report on age-wise analysis of pending legal / arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.	<p>The management has explained that Pending Litigation (and/ or contingent liabilities) against the company are dealt by the holding Company and treatment including reimbursement of legal fees and expenses thereafter meted out on case to case basis in accordance with the guidelines specified by the Holding Company itself. Income Tax Related issues are also dealt and represented by the Holding Company. However , recognition of any liability thereon pertaining to unfavorable order or judgment is being recognized by the company.</p> <p>And the management has furnished us volumunious list of all pending cases being dealt by MeSEB (now MeECL) legal cell. Among those furnished list, in absence of bifurcation of cases to companywise, , it is not very clear</p>



**MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED :: MEGHALAYA
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017**

Enclosures to Annexure D

**AUDITOR'S COMMENTS ON DIRECTIONS UNDER SECTION 143(5) OF THE
COMPANIES ACT, 2013**

		<p>that exactly which are the pending litigations, as on date, being dealt by MeECL on behalf of MePDCL. However, apparently we have presumed that all cases of power theft might be related with MePDCL. There are nearly 423 power theft cases being dealt by MeECL, which mostly relates to year 2014 or before. In absence of requisite clear information about FIR dates in all of power theft case and the current status of the cases lodged, we are unable to furnish agewise bifurcation of pending litigation cases and other requisite details asked to be furnished in this clause.</p>
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For PARIK & CO
Chartered Accountants
FRN: 302147E
CAG Empanelment No: ER0855



CA Bipin Kumar
Partner
ICAI Membership No 059805
Place: Camp at Shillong
Date:

