

**MEGHALAYA POWER TRANSMISSION
CORPORATION LIMITED**

INDEPENDENT AUDITOR'S REPORT

FINANCIAL YEAR 2016-17

**HARI SINGH & ASSOCIATES
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HARI SINGH & ASSOCIATES

CHARTERED ACCOUNTANTS

Firm Regn. No. 323509E

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TO THE MEMBERS OF

MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED

Report on the Ind AS Financial Statements

We have audited the accompanying Ind AS financial statements of **MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED** ("the Company") which comprise the Balance Sheet as at **31st March' 2017** and the Statement of Profit and Loss (including other comprehensive income) the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

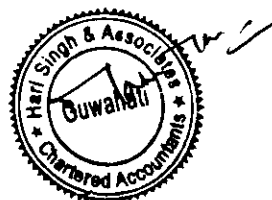
Management's Responsibility for the Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the 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) prescribed under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the Ind AS financial statements whether due to fraud or error. In making those risk assessments the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors as well as evaluating the overall presentation of the Ind AS financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on the Ind AS financial statements.



Basis for Qualified Opinion

1. **Inflation in the value of fixed assets (capital work in progress)& current liabilities for capital assets:** The Company has multiple divisions and the compilation of accounts of all the division is done at the Head office. We have come across two situations where the corporation has double booked the assets & corresponding liabilities.

a) The company purchased Battery bank & battery charger from Satnak Global Infra Project Ltd during the year. It has accounted Rs.2,97,11,306/- as capital work in progress in System Development division and corresponding liability towards the vendor under liabilities for capital goods. The corporation has made partial payment of Rs.2,64,00,000/- from another division i.e. the System Protection Umium PSDF division & while doing so, it has re-recorded the same asset under capital work in progress resulting in double booking to capital work in progress, thereby assets and liabilities overbooked to the tune of Rs. 2,64,00,000/- .

b) Double booking of assets has been done in case of assets purchased from Scope T&M Pvt Ltd under lines & cables head. The corporation has booked capital work in progress in 'System Development division' books amounting to Rs.5,30,02,898/- against provision for liability for supply of material/work to the vendor & the same asset has been again booked under another division 'System Protection Umium PSDF's books for Rs.3,75,02,898/- while making partial payment to the vendor from this division, thereby overbooking of assets & liabilities amounting Rs.3,75,02,898/-.

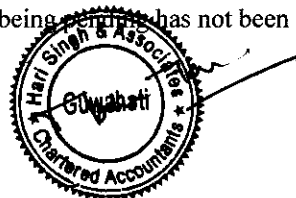
Sl. No.	Particulars	Vendor	Issue- Assets over capitalisation	Remarks
i.	Purchase of battery bank & battery charger	Satnak Global Infra Project Ltd	Assets (CWIP) booked under System Development division amounting Rs.2,97,11,306/- Assets (CWIP) also booked under System Protection Umium PSDF amounting Rs.2,64,00,000/-	Overbooking/ double booking of assets & liabilities by Rs.2,64,00,000/-.
ii.	Purchase of lines & cables (CWIP)	Scope T&M Pvt Ltd	Assets (CWIP) booked under 'System Development division' amounting to Rs.5,30,02,898/- Assets (CWIP) booked under 'System Protection Umium PSDF's books for Rs.3,75,02,898/-	Overbooking/ double booking of assets & liabilities by Rs.3,75.02,898/-.



2. Procurement expense i.e. freight amounting Rs. 24,28,169/- was not capitalised along with the assets (i.e. Battery bank & battery charger purchased from Satnak Global Infra Project Ltd) and passed through the profit & loss account resulting in higher expense & lower value of the fixed asset
3. Under Note 17 , Prior period incomes: The company has booked prior period interest income of Rs.15,91,92,707/- &Rs. 46,20,500/- towards amortisation of grants , totalling Rs.16,38,13,207/- (Rupees Sixteen Crores thirty eight lakhs thirteen thousand two hundred & seven only) relating to under booking of interest over prior periods. The disclosures & description regarding the situation that led to the existence of that condition & the amount of adjustments for the current period & each prior period presented has not been adequately disclosed in the financial statements. As per schedule III, the company needs to disclose the changes in accounting policy or prior period errors or any other change in the statement of changes in equity, which has not been disclosed. In the notes to financial statements, the impact on basic & diluted earnings per share has not been disclosed.
4. The company has made rectifications in the balances of term deposits with that of the banks confirmation and while doing so, the company has booked prior period income & current year interest income. The balance left out after adjustments has been directly booked under the retained earnings amounting Rs. 2,11,05,924/-(Rupees Two Crores Eleven Lakhs Five Thousand Nine Hundred Twenty Four).The reason for directly transferring the same to retained earnings & not to prior period income has not been explained and no proper disclosure made in this regard in the notes to financial statements.

Opening Balance	Investment made during the year	Interest accrue during the year	Prior period income adjusted	Transferred to retained earning	Redemption Made during the year	Closing Balance
(1)	(2)	(3)	(4)	(5)	(6)	1+2+3+4+5-6
440975935	340695482.	27143149	159192707	21105924	652343897	336769300

5. The Company has written off wheeling charges (under Note no.21 : other Expenses) amounting toRs. 17,02,83,106 (Rupees Seventeen Crores two lakhs eighty three thousand one hundred & six) pertaining to receivables from Meghalaya Power Distribution Corporation Limited (MePDCL) (a Sister Concern)which has resulted in loss to that extent. The notes on accounts have not disclosed the reason adequately.
6. Capital work in progress,which is an asset for the company has closing negative balance of Rs 2,31,08,109.63/- (Two Crores thirty one lakhs eight thousand & nine rupees sixty three paise)as at 31-03-2017 as per note no.2 capital work in progress.The company has failed to capitalise the entire amount as asset and only the net position as at the year end has been booked as capital work in progress.
7. The closing stock shows negative balances (credit) totalling toRs.49,101,560/-.The company has failed to capitalise the entire amount as asset and only the net position as at the year end has been booked as closing stock.
8. The company has recognised share application money pending allotment amounting to Rs.6353.44 lakhs.The terms and conditions including the number of shares proposed to be issued, the amount of premium, if any, and the period before which shares shall be allotted has not been disclosed.Further, the period for which the share application money has been pending along with the reason for such share application money being pending has not been disclosed.



9. Under the head other income note no.16 to financial statement interest income amounting Rs.3,87,96,071/- has been booked of which interest income from fixed deposits with banks GL Code 62.222(MePTCL) amounts to Rs.3,87,93,738/-. This interest income from fixed deposits includes transfer of interest of Rs. 1,16,50,589/- from Meghalaya Energy Corporation Limited (MeECL). The reason explaining the same has not been disclosed in the financial statements. The same has however been included under receivables from related party(MeECL).
10. Under Note 24.2 , Cash Imprest with Staff, the company has Rs.(44,23,563.92)/-(credit balance). The reason for credit balance of cash imprest has not been disclosed in the financial statements.
11. The disclosures of foreign currency transaction are inadequate and are not disclosed properly. The advance for machinery from Sieyuan Electric Co. Ltd has not been reflected in the financial statement.

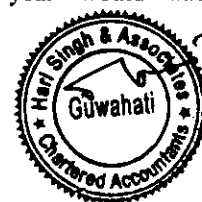
Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us **except for the possible effects of the matters described in the basis for Qualified Opinion paragraph above**, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of Affairs of the Company as at 31st March 2017 and its Profit total comprehensive income its cash flows and the changes in equity for the year ended on that date.

Emphasis of matter

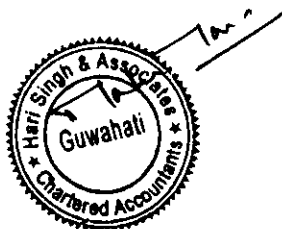
Without qualifying our opinion, we like to draw attention toward the following:

1. External confirmations from suppliers & vendors were not available.(Refer Note 14& Note 6).
2. Notification No. Power 79/2009/209 dtd.31/03/2010 as amended vide notification no Power-79/2009/PR-1/422 dtd 29/04/2015 issued by The Meghalaya Power Sector reform Transfer Scheme 2010 provided the opening balances of assets and liabilities of the company as on 01/04/2012 under the broad heads. There were no information & details of the sub heads under the broad heads. The involved heads of account contain such balances as on 01/04/2016 also and the secondary details are still forthcoming.
3. Amortisation of grants has been done at a rate different from the rates prescribed under Companies Act'2013.
4. Note no 9 to financial statement regarding financial liability (borrowing) from state government amounting to Rs.30,33,78,645/-. The same remained in the name of Meghalaya Energy Corporation Ltd , the holding company which needs to be transferred.
5. Proper documentation regarding fixed asset required to be kept by companies under companies act , 2013 are not maintained by the company.
6. Note 5 to the financial statement regarding companies' cash and cash equivalent, there is credit balance of Rs. 1,874/- against a code under cash & cash equivalent carried forward from earlier years.
7. The annual audited accounts for the financial year 2015-16 are yet to be adopted in the Annual general meeting.
8. In case of Note 10, both addition to grants and amortisation during the year has been overstated by Rs. 7,46,38,000. This is because of clerical error in passing the entry in books of accounts and financial statement. That is, the addition of grant during the year that should have been Rs.22,30,75,573/- and Amortisation during the year would had been Rs.46,30,908.00/-, both have been overstated by Rs.7,46,38,000/-.



Report on Other Legal and Regulatory Requirements

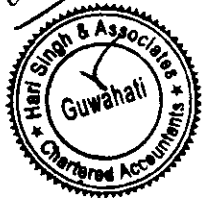
1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (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) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, 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 Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - d) Except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) The matters described in the Basis for Qualified Opinion paragraph and Emphasis of Matters paragraphs above in our opinion may have an adverse effect on the functioning of the Company.
 - f) The company being a government company, provision of Section 164(2) of the companies Act, 2013 regarding disqualification of director is not applicable to in view of notification no G.S.R.463[E] dated 5th June, 2015 issued by the central government..
 - g) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
 - i) 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 2" to this report;
 - j) 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 made proper disclosure of impact of pending litigation on its financial position in the Ind AS financial statements. Refer note 25(xvi)
 - ii. The Company has not made any provision as required under the applicable law or accounting standards for material foreseeable losses if any on long-term contracts including derivative contracts.
 - iii. The company did not have any amount to be transferred to Investor education protection Fund.
 - iv. The Company has provided requisite disclosures in Note 47 to these Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation



regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

For, HARI SINGH AND ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No:323509E


JATIN JAIN
PARTNER
M. No. : 360630



PLACE : GUWAHATI
THE 31st DAY OF AUGUST, 2018



HARI SINGH & ASSOCIATES

CHARTERED ACCOUNTANTS

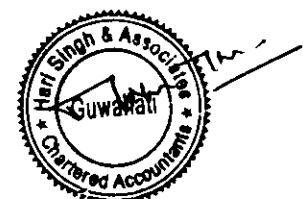
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Annexure 1 referred to in paragraph 1 of the section on "Report on other legal and regulatory requirements" of our report of even date

TO THE MEMBERS OF MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED

1. In respect of its fixed assets:
 - The Company has not maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - The Company has not carried out physical verification of the fixed assets and hence we are unable to comment whether any material discrepancy was noticed as such or not, except those specified in qualified opinion paragraph.
 - According to the information and explanations given by the management, the title deeds of immovable properties, included in fixed assets are held in the name of the holding company.
2. As per the explanation and information provide us, the company has not carried out physical verification of inventory.
3. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
4. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
5. According to the information and explanations given to us the Company has not accepted any deposit from public during the year within the meaning of Sections 73 to 76 of the act or any other relevant provisions of the Companies Act.
6. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act 2013 for Generation transmission distribution and supply of electricity regulated by the relevant regulatory body or authority under the Electricity Act 2003 (36 of 2003) other than for captive generation (as defined under the Electricity Rules 2005) and machinery and mechanical appliances used in defence space and atomic energy sectors. However, as explained to us the company has not maintained such accounts and records.
7. A) According to the information and explanations given to us, the company is irregular in depositing the statutory dues with the appropriate authorities. Because of non availability of proper records, it is not possible to comment the exact amount of undisputed statutory dues outstanding for more than six months at the year end.
B) Disputed/undisputed amounts, if any, involved towards outstanding statutory dues viz., Sales Tax, Service Tax, Excise Duty, Forest Royalty, Provident Fund, and ESI etc. have not been properly ascertained and provided for and therefore exact amounts cannot be quoted.
C) The company has not made disclosure regarding the pending litigation of income Tax along with the forum in note to financial statements under the head Contingent Liabilities.
8. The company does not have any loan due to bank or any financial institution or debenture holder, except from state government.
9. In our opinion and according to the information and explanations given to us, the company has not raised any fund through initial public offer (IPO) or further public offering. Further, term loans were applied for the purpose for which the loans were obtained.



10. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
11. Section 197, of the companies Act 2013 related to managerial remuneration is not applicable to Government companies, vid. Notification No. GSR 463(E) dated June 5th 2015.
12. In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
13. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act 2013 where applicable for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statement except for the reasons stated in the qualified opinion. The company has however not given full details of all the transactions & instead reported consolidated balances netting of all the transactions.
14. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or fully or partly convertible debentures but being a Government company it has made private placement of shares to its holding company viz. Meghalaya Energy Corporation Limited during the year under review.
15. In our opinion and according to the information and explanations given to us during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding subsidiary or associate company or persons connected with them and hence provisions of Section 192 of the Companies Act 2013 are not applicable.
16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934.

For, HARI SINGH AND ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Regn.No:323509E


JATIN JAIN
PARTNER
M. No. : 360630



PLACE: GUWAHATI
THE 31st DAY OF AUGUST, 2018



HARI SINGH & ASSOCIATES

CHARTERED ACCOUNTANTS

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ANNEXURE 2 REFERRED TO IN PARAGRAPH 2 (f) OF THE SECTION ON "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE

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

To the Members of MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED

We have audited the internal financial controls over financial reporting of **MEGHALAYA POWER TRANSMISSION CORPORATION LIMITED** ("the Company") as of 31st March 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition use or disposition of the company's assets that could have a material effect on the financial statements.

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.

Basis for Qualified opinion

According to the information and explanations given to us and based on our audit, the company did not have an appropriate internal control system in regard to detection of double recording of same assets across two divisions resulting in wrong compilation.

Qualified Opinion

In our opinion to the best of our information and according to the explanations given to us the Company has in all material respects maintained adequate internal financial controls over financial reporting as of 31st March 2017 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" and except for the possible effects of the material weakness described in Basis for Qualified Opinion paragraph above on the achievement of the objectives of the control criteria the Company's internal financial controls over financial reporting were operating effectively as of 31st March 2017.

We have considered the material weakness identified and reported above in determining the nature timing and extent of audit tests applied in our audit of the Ind AS financial statements of the Company for the year ended 31st March 2017 and the material weakness has affected our opinion on the said Ind AS financial statements of the Company and we have issued a qualified opinion on the Ind AS financial statements of the Company.

For, HARI SINGH AND ASSOCIATES

CHARTERED ACCOUNTANTS

Firm Regn.No:323509E

**JATIN JAIN
PARTNER**

M. No. : 360630



PLACE: GUWAHATI

THE 31st DAY OF AUGUST, 2018