



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office : Vidyuthi Bhavanam, Pattom,

Thiruvananthapuram – 695 004, Kerala

FAX: 0471 - 2514244. TELEPHONE: (OFF.) 2445807, 2444240

E-Mail: faksebdata@dataone.in , fakseb@gmail.com

Website: www.kseb.in. CIN: U40100KL2011SGC027424

Abstract

Audit qualification of Statutory Auditors for the Financial Year 2021-22- providing depreciation during 2022-23- sanctioned- orders- issued.

CORPORATE OFFICE (FINANCE WING)

B.O.(DB) No.130/2023 (FA/AA/Audit Qualification-Depreciation/2022-23) Thiruvananthapuram,
Dated:16.03.2023

- Read: 1) Note No. FA/AA/Audit 2021-22/2022-23 dated 06/01/2023 of the Chairman and Managing Director.
2) Proceedings of the 69th Meeting of the Board of Directors of KSEBL held on 27.02.2023 vide Agenda Item No.09-02/2023

ORDER

The Principal Accountant General (Audit-II) vide letter dated 06.10.2022 informed that in view of the repeated qualifications by the Statutory auditors, subsequent audit of the KSESBL Ltd under section 143(6)(b) of the Companies Act 2013 will not be conducted unless otherwise action to be taken to avoid audit qualifications.

The company had given replies to the qualifications of statutory auditors and the same had been furnished to the C&AG audit party and the audit certificate was issued by the C&AG without considering the reply of the company. The audit qualification having highest monetary value is on charging the depreciation of increased value of assets on re-vesting of KSEB. The qualification and reply furnished by the company is as follows.

Audit Comment	Reply of the Company
“The company is not providing depreciation on property, plant, and equipment of value ₹10.712 crores since 2013-14 resulting in understatement of depreciation of ₹565.59 crores for the year and overstatement of carrying value of property, plant, and equipment by ₹4.758.72 crores.”	Vide G.O(P) No.46/2013/PD dated 31 October 2013 published in Kerala Gazette dated 31st October 2013, the Government of Kerala re-vested all the Assets and liabilities of the erstwhile KSE Board in the new company Kerala State Electricity Board limited. The Government of Kerala notified the final transfer scheme vide G.O.(P) No.3/2015/PD dated 28.01.2015 by issuing the opening

Balance Sheet for the company as on 01.11.2013. In the Balance sheet, the value of Plant and Machinery was notified as ₹15264 Cr against the closing balance as on 31.10.2013 amounting to ₹4552 Cr. Hence the value of Plant and Machinery was increased by ₹10712 Cr as part of the creation of pension fund. KSEB Ltd. is working under Electricity Act 2003, which is having overriding effect over most of the Acts. As per the Electricity Act, tariff of the electricity is determined by the respective state Electricity Regulatory Commission. As per the regulation of KSERC (Terms and Determination of Tariff) regulation 2018 para 27, no depreciation shall be allowed on increase in the value of assets on account of revaluation of assets. Hence the depreciation on the enhanced value of fixed assets notified by the Government in connection with the re-vesting of KSEB Ltd is not being provided by KSEB Ltd. It is properly disclosed in the notes to accounts as such and the above policy is being followed consistently by KSEB Ltd

The audit committee meeting held on 19.12. 2022 had taken stock of situation arised in the backdrop of the comments of the C&AG and held a detailed discussion on each audit qualification of the statutory auditors and chart out the action plan to be taken.

For compliance of the above audit qualification, depreciation to the tune of ₹565.59 crores is to be provided from the year 2022-23. The accumulated depreciation for the period from 2013-14 to 2021-22 amounting to ₹4758.72 crores is to be provided by restating the previous year accounts as per the provisions of the Ind AS. This will decrease the profitability of the company to the tune of ₹565.59 crores from the year 2022-23 onwards. Increase in accumulated loss will impact the net worth of the company. As per the regulations of KSERC these expenses cannot be passed on to the consumers through tariff.

The audit committee reviewed the situation in detail and observed that the audit qualification will be removed only by providing the amounts in the accounts. As the book adjustment entries will have

serious impact on the financial statements, without having chances of recovery through tariff. the depreciation for the increased value of asset (in connection with the inclusion of terminal liabilities in the books of accounts at the time of re-vesting) is to be provided only with the approval of the Full Board of the company. The CFO with full additional charge of Director (Finance) appraised the audit committee in its meeting held on 19.12.2022 had considered the matter and recommended to the Board to provide depreciation on the increased revalued value.

After detailed discussion, the Board;
Resolved to provide the depreciation on the increased value of assets in line with the qualification of Statutory Auditors for the year 2022-23 and to provide the accumulated depreciation from 2013-14 to 2021-22 and to restate the accounts of previous year as per the provisions of Ind AS.

Orders are issued accordingly.

By Order of the Director Board

Sd/-

Lekha. G

Company Secretary (in-charge)

To

The Financial Adviser, K.S.E. Board Ltd.

Copy to:

The Chief Internal Auditor/The Legal Adviser& Disciplinary Enquiry officer/Chief
Vigilance Officer

TA to Chairman & Managing Director / Director (Distribution, SCM and IT) / Director
(Transmission, System Operation, Planning and safety) / Director (Generation-Civil) /
Director (Generation Electrical, HRM) /Director(REES, SOURA, NILAVU, Sports and
Welfare) PA to Director (Finance) /Secretary (Administration).

The Deputy Chief Engineer (IT) / The Company Secretary-in-charge

The Senior C.A to Secretary (Administration) / Stock File.

Forwarded/ by order

Assistant Finance Officer