

MINUTES OF THE 27TH MEETING OF THE AUDIT COMMITTEE HELD ON MONDAY, 25TH SEPTEMBER, 2023 AT 10:30 A.M. THROUGH VIDEO CONFERENCE AT CESC, CORPORATE OFFICE, NO.29, VIJAYANAGAR 2ND STAGE, HINKAL, MYSURU-570017.

MEMBERS PRESENT

| Sl. No. | Sriyuths/Smt | Designation | Mode of Presence |
|---------|--------------------|---------------------------|--|
| 1. | V. Krishnappa | Chairman of the Committee | Attended through VC from Kaveri Bhavan, Bengaluru |
| 2. | K.V. Umesh Chandra | Member | Attended through VC from Bengaluru |
| 3. | Aparna Pavate | Member | Attended through VC from Vikasa soudha, Bengaluru |
| 4. | Nitish K., I.A.S. | Member | Attended through VC from Vidhana Soudha, Bengaluru |
| 5. | S. Shankar | Member | Attended in person |

IN ATTENDANCE


| | |
|-------------------|-------------------|
| Sri. Satya Prasad | Company Secretary |
|-------------------|-------------------|

INVITEES PRESENT

| | | |
|----|-------------------------------|---|
| 1. | Sri. Shaik Mohammed Mahimulla | Director (Finance) |
| 2. | Sri S.M. Suresh | Chief General Manager (Internal Audit) Incharge |
| 3. | Smt. G. Renuka | General Manager (A&R) |


At the outset, the Company Secretary welcomed the Chairman, all the members and invitee officers to the meeting. As per the provisions of the Companies Act, 2013 & Secretarial Standard-1, minimum 7 days' notice to be issued for the Board and Committee meetings. However, all the members consented for the shorter notice issued vide: CESC/CS/01/16/2023-

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CHAIRMAN'S INITIALS

AGM-2

03/02/2024

Chamundeshwari Electricity Supply Corporation Ltd. 
(CIN: U40109KA2004SGC035177)

24/CYS-849 dated: 22.09.2023 and agreed to transact the business in the interest of the Company.

The Chairman of the Committee has made the roll call as required under Rule 3 of the Companies (Meetings of Board & its Powers) Rules, 2014, as amended, and confirmed the participation and attendance of Smt. Aparna Pavate, Sri. Nitish K., I.A.S., and Sri Umesh Chandra K.V. through Video Conference. All have confirmed their name and location from where they are attending the Meeting and also confirmed that they have received the agenda notes and are able to see and hear the other participants of the Meeting. It was also confirmed that no other person other than the concerned members of the Committee had attended the Meeting through Video Conference. Company Secretary informed the Committee about the names of the invitees who are present in the meeting.

Quorum being present, the Company Secretary requested the Chairman of the Committee to take up the subjects for discussion and decision thereon.

SUBJECT NO. AC 27/01:

GRANT OF LEAVE OF ABSENCE:

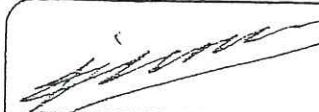
Leave of absence did not arise.


SUBJECT NO. AC 27/02:

REVIEW OF STATUTORY AUDIT REPORT ON THE ANNUAL ACCOUNTS OF THE COMPANY FOR F.Y.2022-23 AND MANAGEMENT REPLY TO THEIR OBSERVATIONS

The Committee reviewed the agenda notes. Director (Finance) briefed the management replies to the observations/comments of the Statutory Auditors on the accounts of the company for F.Y.2022-23. The Committee deliberated on the subject and issued the following directions.

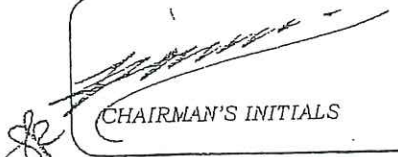
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1. Sri Nitish K., I.A.S., Deputy Secretary (B&R) and Director of the company expressed concern over piling up of old inventories. He suggested that old and unusable stocks should be identified and should be disposed off as per the procedure and Inventory Management should be streamlined. Chairman instructed to constitute a Committee at company level to segregate the usable stock and obsolete stock and take action to dispose off the obsolete stock as per the procedures. If such inventories involve the stocks pertaining to KPTCL, opinion of the Chief Engineer (Ele), Transmission Zone, KPTCL, Mysuru, shall be obtained before taking action on such materials.
2. The Committee expressed displeasure for delay in capitalization of Property, Plant & Equipment. It was also observed that auditors have repeatedly pointed out this observation in previous years report also. It was opined that delay in submission of Labour Contract bills should not be a valid reason for delay in capitalization of assets. Hence, Director (Technical) & Director (Finance) were instructed to develop a mechanism to set right this issue and to ensure that the said observation should not be repeated in future audit reports.
3. Director (Finance) informed that expert opinion will be obtained in respect of auditors observations on compliance of IND AS-1 & IND AS 16. The Committee agreed for the same.
4. Sri Nitish K., I.A.S. opined that CESC should immediately take action to comply the provisions of MSME Act. Director (Finance) informed that action is under progress to identify the MSME suppliers. Company will take necessary action to comply the provisions of MSME Act during F.Y. 2023-24.
5. With respect to receivables from Disputed Villages of Rs. 38.67 Crores, Director (Finance) informed that as per the Government directions, action is being taken to recover the freezed amount. As on date, around Rs. 9.00 lakhs amount is collected. It was also brought to the notice of the Committee that said consumers have also registered under Gruha Jyothi Scheme. Government of Karnataka has extended the time for payment of arrears upto 30th September, 2023 under Gruha Jyothi Scheme. Smt. Aparna Pavate, Additional Secretary to Govt., Energy

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Dept. and Director of the company, informed that if consumers have not paid the arrears within the timeline, CESC should disconnect the installations as per the conditions of supply. Chairman opined that functional directors and top officials should visit the divisions having huge arrears and review the progress regularly and issue suitable directions. It was also directed to ensure strict compliance of the conditions of Gruha Jyothi Scheme.

6. With respect to Cash misappropriation cases, the Committee directed A&HR section to co-ordinate with KPTCL and ensure that all such pending enquires will be disposed off within the timeframe.
7. With respect to amount receivable from Mysore Sugars Company Limited, Director (Finance) informed that Managing Director, CESC has already discussed the issue with Managing Director, Mysugar. Mysugar has informed that they have sent proposal to Government for release of amount for payment of CESC dues. The Committee suggested to issue disconnection notice to Mysugar and take follow up action to recover the dues.
8. Director (Finance) requested Sri Nitish K., I.A.S. to consider proposal for one time financial support in respect of IP set dues for prior period of 31.07.2008, and RE subsidy dues pertaining to the period from FY 2002-03 to FY 2015-16. Sri Nitish K., I.A.S. replied that same will be examined at Government level.
9. With respect to accounting of power purchase, Director (Finance) informed that at present all ESCOMs are accounting the power purchase cost as per GoK allocation basis. At the end of the year, energy reconciliation will be done for arriving at actual power purchase cost on the basis of IF consumption and exclusive purchase of each ESCOM. This will be continued till implementation of Intra State Availability Based Tariff (ABT).

After due deliberation, Chairman informed that the Committee will accept the management reply on observations of the Statutory Auditors. However, management should take corrective measures on some of the deviations as noticed by auditors as per the instructions / suggestions given

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at this meeting. Chairman announced the summary of the decision taken and following resolutions were passed unanimously.


“RESOLVED THAT for the reasons explained above, consent of the Audit Committee be and is hereby accorded for the management reply to the observations of the Statutory Auditors on the accounts of the Company for the F.Y. 2022-23 and it was also agreed to place the same as Addendum to Directors Report before the Board of Directors for their consideration and approval.

RESOLVED FURTHER THAT, Director (Technical), Director (Finance) and Chief General Manager (Internal Audit) shall take necessary action to implement the instructions / suggestions issued by the Committee.”

Since there were no other subjects to discuss, meeting concluded at 11:00 A.M. with vote of thanks to the chair.

PLACE: Bengaluru

DATE : 12/10/2023


(V.KRISHNAPPA) 12/10/23
DIN:09197047

CHAIRMAN OF THE COMMITTEE



Company Secretary
CESC Corporate Office
Mysore

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ಮೆಮೋ: ಸೆನ್ಯ/ಪ್ರ.ವ್ಯ.(ತಾಂ)/ಸ.ಪ್ರ.ವ್ಯ.(ತಾಂ-04)/ 2023-24 / 20136
ಮಾಹಿತಿ ಹಾಗೂ ಸೂಕ್ತ ಕ್ರಮಕ್ಕಾಗಿ

ದಿನಾಂಕ: 03 FEB 2024

1. ನಿರ್ದೇಶಕರು(ಹಣಕಾಸು), ನಿಗಮ ಕಛೇರಿ, ಚಾವಿನಿನಿ, ಮೈಸೂರು.
2. ಮುಖ್ಯ ಪ್ರಧಾನ ವ್ಯವಸ್ಥಾಪಕರು, (ಆಂ.ಪ), ನಿಗಮಕಛೇರಿ, ಚಾವಿನಿನಿ, ಮೈಸೂರು.
3. ಪ್ರಧಾನ ವ್ಯವಸ್ಥಾಪಕರು ಲೆಕ್ಕಾಚಾರದಾಯ/ ಹಣಕಾಸು, ನಿಗಮ ಕಛೇರಿ, ಚಾವಿನಿನಿ, ಮೈಸೂರು.
4. ಉಪ ಪ್ರಧಾನ ವ್ಯವಸ್ಥಾಪಕರು,(ಎಂ.ಐ.ಎಸ್)ನಿಗಮ ಕಛೇರಿ, ಚಾವಿನಿನಿ, ಮೈಸೂರು ನಿಗಮದ ವೆಬ್ ಸೈಟ್ ನಲ್ಲಿ ಪ್ರಕಟಿಸಲು.
5. ಅಪ್ಪ ಸಹಾಯಕರು ವ್ಯವಸ್ಥಾಪಕ ನಿರ್ದೇಶಕರು/ತಾಂತ್ರಿಕ ಸಹಾಯಕರು ನಿರ್ದೇಶಕರು(ತಾಂತ್ರಿಕ)ಇವರ ಗಮನಕ್ಕೆ ಹಾಗೂ ವಿಷಯವನ್ನು ವ್ಯ.ನಿ/ ನಿ.(.ತಾ) ರವರ ಗಮನಕ್ಕೆ ತರಲು ಸಲ್ಲಿಸಿದೆ.
ಮುಖ್ಯ ಕಡತ/ಕ.ಪ್ರ.


ಪ್ರಧಾನ ವ್ಯವಸ್ಥಾಪಕರು (ತಾಂತ್ರಿಕ),
ಚಾವಿನಿನಿ, ಮೈಸೂರು.



| SL No | Observations of Statutory Auditors | Reply by the Management |
|-------|--|--|
| c. | Non- Compliance of Ind AS 16 Property, Plant and Equipment('PPE') (Note no: 3) | |
| | (i) Substantial delays in capitalization of PPE which are carried in the Capital Work in Progress are not being capitalized due to non-receipt of completion certificate/claims in time, though such PPE are already put to use. This has resulted in understatement of PPE, depreciation thereon and over statement of Capital work in progress. Such quantification is not available to ascertain the impact on the Financial Statements. | The Capital expenditure booked in respect of ongoing capital works will be capitalized once the completion report is received. Entire cost booked till the date of completion will be capitalized. The additional cost incurred on account of variations will be capitalized once the deviations are approved by the Competent Authority. In respect of Labour contract bills strict action will be initiated to obtain the same from the concerned field officers at the time of submission of completion reports only. However, the deprecation will be charged retrospectively from the date of commissioning itself. Hence there will not be any short provision for depreciation. |
| | (ii) With respect to the assets retired from active use on account of faulty/dismantled assets which are capable of being reconditioned and reusable in the near future, the Company continue to disclose such items in the PPE separately as one block namely "Released plant and equipment's, lines, cable networks to be reused" at WDV Values till such assets are further classified as PPE on reuse if any. We observed that when such assets are reused and transferred on capitalization again | During FY24 a separate committee will be constituted at Company level to examine the said issue in detail. And suitable action will be taken accordingly. |



| SL No | Observations of Statutory Auditors | Reply by the Management |
|-------|--|--|
| | <p>as reconditioned assets to the respective block of assets, the same are capitalized at the weighted average value of WDV of all the assets in the respective block, instead of the respective WDV values carried for each item of asset, and also without recognizing the reconditioned cost to the asset for capitalization considering the materiality in useful life of such asset, but charged as repairs and maintenance. Hence, the mismatch in capitalization, non-recognition of reconditioned cost and its carrying values in the respective block on capitalization, has an impact in the Financial Statements and such quantification is not available</p> | |
| | <p>(iii) We observed that no depreciation is provided on the released assets till its capitalization and the Company has no depreciation policy on the same considering the further useful life available on such reconditioned assets. The same has the impact in the Financial Statements with carrying values of the PPE and its depreciation.</p> | <p>When the assets are released, it will be initially grouped under "<i>Written down value of released assets</i>". Even though the same forms a part of PPE, depreciation is not calculated since the said materials are not treated as assets until they are issued to works and put to use.</p> |
| | <p>(iv) The Company continues the capitalization of Materials in stocks lying since 31.03.2016, if any to the project assets, with Standard Rates of such materials. The impact of the same on the Financial Statements is not ascertainable with regard to the actual cost of capitalization and its depreciation thereon.</p> | <p>Action will be taken to clear the old materials which were valued at schedule of rates in a phased manner.</p> |