

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 1987

No. 8 of 1988

UNION GOVERNMENT
(DELHI ADMINISTRATION)

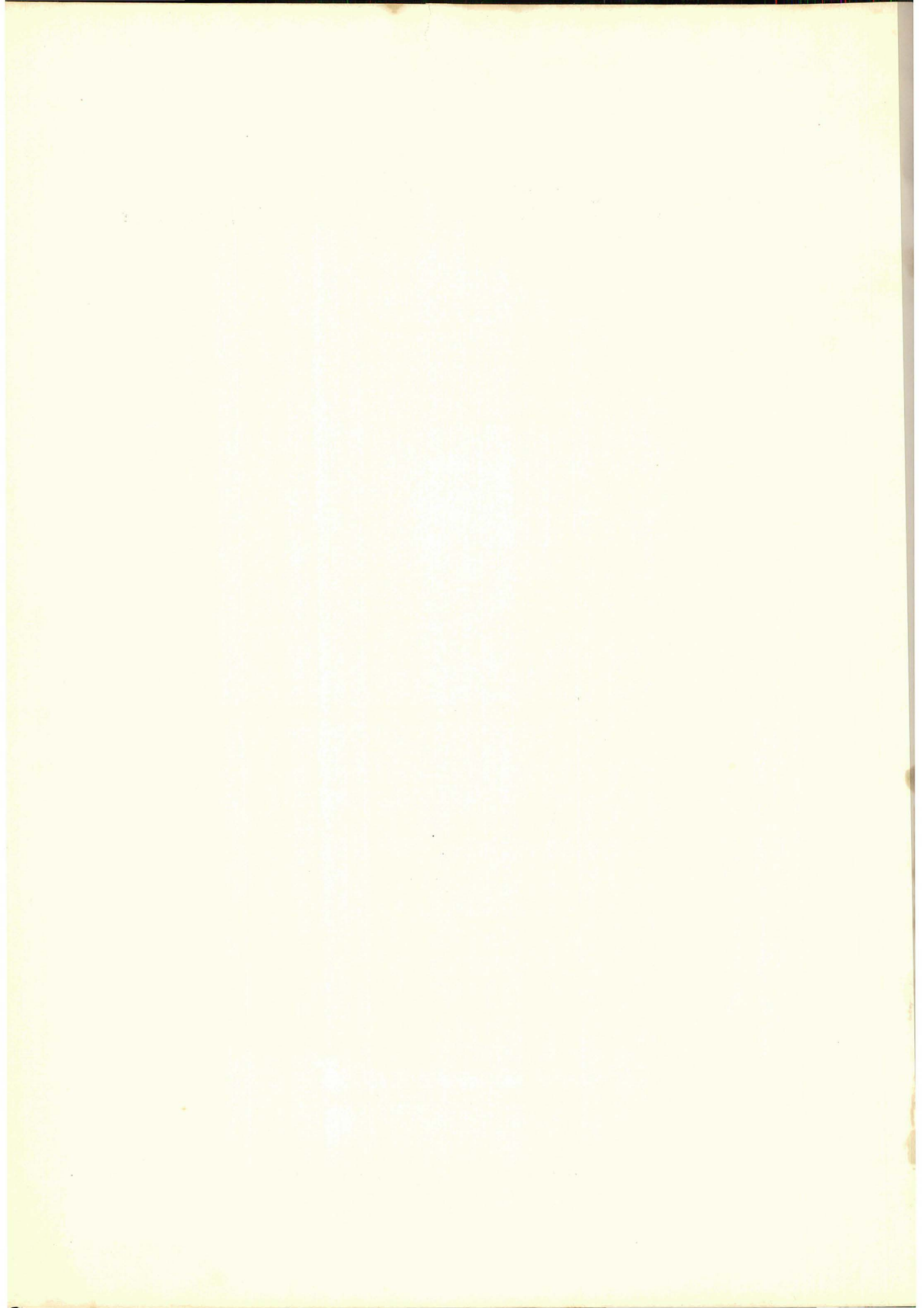


TABLE OF CONTENTS

	PARAGRAPH	PAGE (v)
Prefatory remarks		
CHAPTER I		
Overview	1	1
CHAPTER II		
Civil Departments of Delhi Administration		
(Directorate of Health Services)		
Implementation of National Leprosy Eradication Programme in the Union Territory of Delhi	2	5
Ministry of Human Resource Development		
(Directorate of Education--Delhi Administration)		
Irregular drawal of Rs. 42 lakhs	3	8
Delhi Administration		
(Directorate of Education)		
Infructuous expenditure of Rs. 17.92 lakhs on surplus staff	4	9
National Loan Scholarship Scheme	5	9
Ministry of Surface Transport		
(Public Works Department--Delhi Administration)		
Avoidable expenditure of Rs. 20.55 lakhs-- construction of Eastern Guide Bund Part-I and Part-II of the bridge across river Yamuna	6	11
Delhi Administration		
(Public Works Department)		
Irregular rescission of contract resulting in extra expenditure of Rs. 1.45 lakhs	7	13
Irregular rescission of contract resulting in infructuous expenditure of Rs. 1.70 lakhs	8	13
Ministry of Health and Family Welfare		
(Public Works Department--Delhi Administration)		
Purchase of cables	9	15
Delhi Administration		
(Rehabilitation Services)		
Rehabilitation Services	10	16
Directorate of Social Welfare		
Non-recovery of Rs. 2.87 lakhs	11	17
Local Self Government Department		
Non-recovery of loans and interest	12	19
Outstanding utilisation certificates	13	19
Non-furnishing of statement of assets	14	19
Delay in submission of accounts	15	20
Release of excess funds of Rs. 379.81 lakhs	16	20

Ministry of Home Affairs

(Commissioner of Police--Delhi Administration)

Non-realisation of Rs. 2.40 crores on account of providing additional police	17	21
Purchase of defective wireless sets	18	21
General		
Losses and irrecoverable dues written off and ex-gratia payments made	19	21

CHAPTER III

Ministry of Urban Development

(Delhi Development Authority)

Construction of 288-LIG Houses at Motia Khan	20	22
Defective execution of work	21	23
Short delivery of cement	22	24

CHAPTER IV

Receipt of the Administration of Union Territory of Delhi

Trend of revenue receipts	23	26
Collection of Tax revenue vis-a-vis budget estimates	24	26

SALES TAX

General	25	27
Short levy due to non-detection of false/invalid declaration or interpolations in the declarations	26	28
Short levy due to non-detection of suppression of sales	27	31
Short levy due to irregular grant of exemption from tax	28	35
Non-levy of interest	29	36
Dealing in goods not covered by certificate of registration	30	36
Short levy of tax due to incorrect allowance of concessional rate of tax	31	38
Short levy due to mistake in computation of tax	32	39

STATE EXCISE

Loss of excise revenue due to incorrect endorsement on L-5 Licence	33	40
Incorrect fixation of wholesale prices of Indian made foreign liquor	34	40

MOTOR VEHICLES TAX

National/Zonal permit schemes--Non-accountal of demand	35	41
--	----	----

TERMINAL TAX

Levy and collection of terminal tax	36	43
-------------------------------------	----	----

PREFATORY REMARKS

As mentioned in the Prefatory Remarks of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1987--Union Government--Civil (No. 1 of 1988), the results of test audit of the financial transactions of the Civil and Revenue Departments of the Union Territory of Delhi Administration are set out in this Report.

2. This Report includes, among others, reviews/paragraphs on National Leprosy Eradication Programme, payment of loans and grants to Municipal Corporation of Delhi by Delhi Administration, construction activities of Delhi Administration and Delhi Development Authority, Motor Vehicles Tax and Terminal Tax.

3. The cases mentioned in this Report are among those which came to notice in the course of test audit during the year 1986-87 as well as those which came to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1986-87 have also been included, wherever considered necessary.

4. Chapter I is an 'Overview' of this Report bringing out the significant Audit findings.

CHAPTER I

OVERVIEW

1. The Audit Report for the year ended 31 March 1987 contains 36 paragraphs including 3 reviews. The points highlighted in the Report are summarised below :--

1.1 National Leprosy Eradication Programme

There were deficiencies in planing, programming, organising and implementing the 'National Laprosy Eradication Programme' in the Union Territory of Delhi. Against the budget allotment of Rs. 36.28 lakhs for the programme, an expenditure of Rs. 5.72 lakhs only was incurred during 1980-81, 1982-83 and 1985-86. No expenditure in cash was incurred during 1983-84, 1984-85 and 1986-87. No survey was ever conducted to identify the endemicity areas requiring necessary facilities. During the years 1983-84 to 1986-87, 4,831 patients were identified. No laprosy control unit was set up and consequently upgraded laprosy centres, district leprosy centres, leprosy training centres, maintenance of voluntary leprosy beds, etc. as required under the programme, were not established. (Paragraph 2)

1.2 Irregular drawal of funds

A sum of Rs. 42 lakhs was drawn by the Directorate of Education, in violation of rules, to avoid lapse of funds although the money was not required for immediate use. (Paragraph 3)

1.3 Infructuous expenditure on surplus staff

The surplus staff of an aided school which was closed in April 1982 had not been adjusted against any vacant post in aided/Government schools and was paid salary amounting to Rs. 17.92 lakhs by the Directorate of Education. Their eligibility for absorption in Government/aided schools had not been decided even after a lapse of 5 years. Their pay and allowances were being drawn against the grant-in-aid of the school which had been closed in April 1982. (Paragraph 4)

1.4 Non-recovery of loan scholarship

Loan scholarships of Rs. 17.96 lakhs paid by the Directorate of Education during 1963-64 to 1983-84 could not be recovered by the department due to ineffective pursuance. (Paragraph 5)

1.5 Construction of bridge across river Yamuna

Tenders for a work were re-invited by the Public Works Department (PWD) without materially changing the nomenclature of an item resulting in an avoidable expenditure of Rs. 10.05 lakhs. The terms of agreement were also not technically sound and realistic. This resulted in additional benefit of Rs. 10.50 lakhs to the contractors. (Paragraph 6)

1.6 Irregular rescission of contracts

The irregular rescission of a contract for the construction of a 300 bedded ward block of a hospital by the Executive Engineer PWD resulted in extra expenditure of Rs. 1.70 lakhs. In another case of construction of a school building, the irregular rescission of the contract resulted in extra expenditure of Rs. 1.45 lakhs. No responsibility in both the cases was fixed. (Paragraphs 7 and 8)

1.7 Non-preparation of Annual Accounts

Rehabilitation Services of Delhi Administration running 19 training-cum-production centres had not prepared annual accounts from 1976-77 onwards. (Paragraph 10)

1.8 Outstanding loans

Local Self Government Department of Delhi Administration had paid 181 loans aggregating Rs. 102.81 crores to the Municipal Corporation of Delhi (MCD), 129 loans aggregating Rs. 297.10 crores to Delhi Water Supply and Sewage Disposal Undertaking and 64 loans aggregating Rs. 472.54 crores to Delhi Electric Supply Undertaking. Most of the principal amount and interest accrued thereon had not been recovered for the last more than a decade.

There had been a general delay in submission of Annual Accounts of the Municipal Corporation of Delhi to the Delhi Administration. The Accounts for 1982-83 to 1984-85 were submitted to the Standing Committee of MCD in June 1987. (Paragraphs 12 to 16)

1.9 Non-recovery of the cost of additional Police

Recovery of Rs. 2.40 crores on account of additional police guards provided during 1964-65 to 1985-86 by the Commissioner of

Police was outstanding. The major portion (Rs. 2.32 crores) related to Delhi Development Authority which had not paid its dues since 1964 onwards. (Paragraph 17)

1.10 Defective wireless sets

17 wireless sets purchased through Directorate of Co-ordination (Police Wireless), Ministry of Home Affairs at a cost of Rs. 4.98 lakhs during December 1977 and May 1983 had been lying unused since their procurement as their workability was found to be below normal. (Paragraph 18)

1.11 Construction of LIG Houses at Motia Khan

288 Lower Income Group (LIG) houses scheduled to be completed by the DDA in September 1982 had not been completed so far (October 1987). This resulted in blockage of funds of Rs. 50.25 lakhs. Certain serious defects noticed during inspection by the Chief Engineer (Quality Control) were not rectified by the contractor. A sum of Rs. 17.33 lakhs on account of compensation for delay, execution of sub-standard work and extra expenditure on the left over work by the contractor was yet to be recovered. The case was under arbitration. (Paragraph 20)

1.12 Defective execution of work at Shalimar Bagh

192 LIG Houses at Shalimar Bagh, scheduled to be completed by the DDA in May 1981 were still awaiting completion (September 1987). Serious defects noticed during inspection by the Chief Engineer in July 1985 were yet to be rectified in 186 houses. Inordinate delay in rectification of defects and completion of work resulted in blockage of investment of Rs. 32.57 lakhs. Penalty of Rs. 1.90 lakhs levied on the contractor for the delay in the execution of work was not recovered. (Paragraph 21)

1.13 Short delivery of Cement

A contract for transportation of cement was awarded to a contractor by the DDA on the basis of forged documents produced by him. Short delivery of 15,716 cement bags valuing Rs. 6.79 lakhs could not be detected well in time. Rs. 26.41 lakhs on account of cost of cement bags, demurrage/wharfage charges, extra expenditure on the work left incomplete by the contractor, etc. were yet to be recovered. The case was under arbitration. (Paragraph 22)

1.14 Receipts of the Administration of the Union Territory of Delhi

1.14.1 *General*.— The total receipts of the Union Territory of Delhi during the year 1986-87 amounted to Rs. 595 crores (Rs. 570 crores, tax receipts and Rs. 25 crores, non-tax receipts). This represents an increase of 15 per cent over the total receipts of Rs. 516 crores (Rs. 492 crores tax receipts and Rs. 24 crores non-tax receipts) during the year 1985-86. Tax receipts were mainly derived from Sales Tax (Rs. 379 crores), State Excise (Rs. 113 crores), Motor Vehicles and Goods and Passengers Taxes (Rs. 44 crores), Stamps and Registration fees (Rs. 20 crores). (Para 23)

This Chapter includes 40 cases commenting upon non-levy or short levy of tax, duty, penalties and losses of revenue in the Union Territory of Delhi. The tax effect of the various irregularities pointed out is about Rs. 68 lakhs including penalty and interest. As a result of re-examination of some of the cases involved in these Audit Objections, the department revised the assessment and raised a total demand of Rs. 1.07 crores on account of tax, penalty and interest.

Some of the important instances of the illustrative cases are given below :—

1.15 Sales Tax

1.15.1 Short levy of tax due to non-detection by department, of false/invalid declarations or interpolations in the declarations amounted to Rs. 5.69 lakhs in 12 cases. Besides, penalty amounting to Rs. 14.23 lakhs was also attracted in the cases which was not levied. (Para 26)

1.15.2 Short levy of tax due to non-detection of suppression of sales in 14 cases involved a tax of Rs. 8.78 lakhs. Besides, penalties upto Rs. 21.30 lakhs could be levied on the dealers for suppression of turnover. (Para 27)

1.15.3 Sale/Purchase by dealer of goods not covered by certificate of registration in 5 cases attracted penalty amounting to Rs. 8.59 lakhs which was not levied. (Para 30)

1.16 State Excise

In one case, there was loss of excise revenue amounting to Rs. 3.50 lakhs due to

incorrect endorsement made on a licence.
(Para 33)

1.17 *Motor Vehicles Tax*

As against the 33,000 demand drafts valued at about Rs. one crore, received during 1985-86 the department stated (October 1987) that 17,152 drafts valued at Rs. 58.63 lakhs had been deposited into the bank and information in respect of the remaining drafts could not be supplied by the department (October 1987). The Department was further not even aware of the amounts due to it owing to non-furnishing of various returns by other States. (Para 35)

1.18 *Terminal Tax*

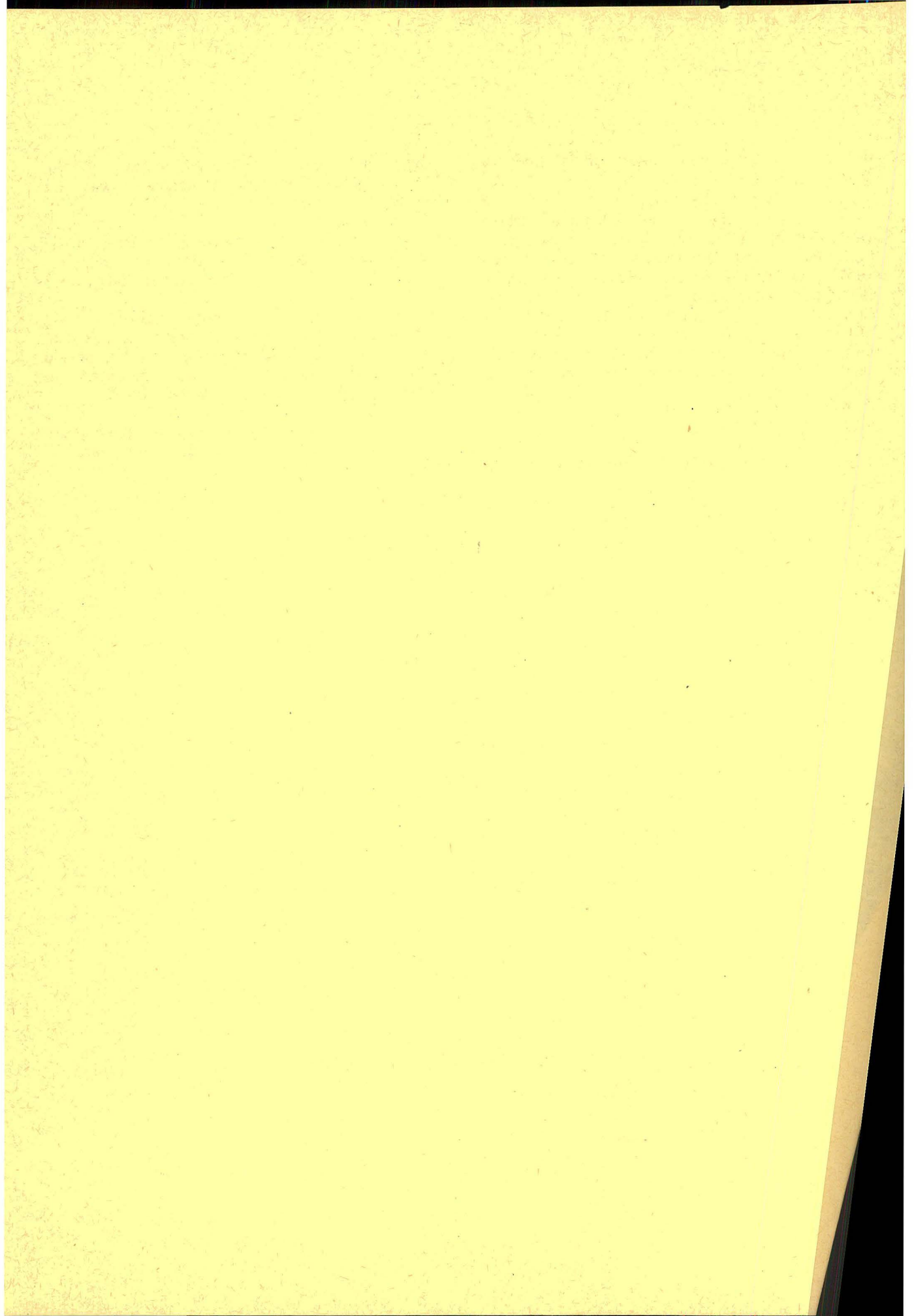
1.18.1 Levy and collections of Terminal Tax

and remittance of the receipts by the Agency into Government account, was not as per prescribed procedure.

1.18.2 Terminal Tax amounting to Rs. 152.72 lakhs from importers availing bill facilities, was outstanding as on 31st March 1987.

1.18.3 Recoveries due from check post staff on account of short realisation of tax due to various reasons, relating to the period upto 30th November 1985, amounted to Rs. 5.80 lakhs as on 31st March 1987.

1.18.4 Weigh bridges at various checkpoints have not functioned for about three years.
(Para 36)



CHAPTER II

CIVIL DEPARTMENTS OF DELHI ADMINISTRATION

(Directorate of Health Services)

2. Implementation of National Leprosy Eradication Programme in the Union Territory of Delhi

2.1 Introduction

2.1.1 Leprosy is a chronic communicable disease, wide spread throughout the country. According to data collected from States/ Union Territories on leprosy in 1984-85, the prevalence rate of the disease was 5 and above per thousand population in 201 out of 412 districts of the country. However, no survey has been carried out in Delhi to ascertain the incidence of leprosy in the Union Territory. The Government of India launched National Leprosy Control Programme in 1955 in close collaboration with State Governments/Union Territory Administrations. The Programme was financially assisted in full by the Government of India from 1969-70. The strategy to implement the programme envisaged (a) survey and case detection, (b) registration of cases for treatment, (c) provision of continuous treatment, as close to the homes of patients as possible and (d) education of the patients, their families and the community at large about leprosy. The programme was rechristened as National Leprosy Eradication Programme (NLEP) from 1983, providing for early case detection, regular treatment, health education and public co-operation, augmentation of training and research, rehabilitation and welfare of patients and encouragement to voluntary participation with the objective of achieving 50 per cent reduction in the existing (i) prevalence rate, (ii) infection rate and (iii) deformities rate in the disease during the Sixth Five Year Plan and total eradication of the disease by 2000 A.D.

2.2 Scope of Audit

A review of the programme was conducted in Audit from June 1987 to August 1987 and records maintained by State Leprosy Officer/Directorate of Health Services, Leprosy Clinic, Tahirpur and Urban Leprosy Centre, Lok Nayak Jai Parkash Narain Hospital were test checked.

2.3 Organisational set-up

For this purpose, establishment of certain basic infrastructure was prescribed and the Deputy Director of Health Services, Delhi Administration was designated as the State Leprosy Officer for planning, programming, organising and implementing the programme and reporting to the Director General of Health Services, Government of India in respect of the Union Territory of Delhi.

2.4 Highlights

- Against the budget allotment of Rs. 36.28 lakhs (Rs. 32.77 lakhs in cash and Rs. 3.51 lakhs in kind) for the eradication of leprosy, an expenditure of Rs. 5.72 lakhs only (Rs. 3.33 lakhs in cash and Rs. 2.39 lakhs in kind) was incurred during 1980-81, 1982-83 and 1985-86. No expenditure in cash was incurred on the programme during 1983-84, 1984-85 and 1986-87. The details of expenditure of Rs. 3.33 lakhs were also not available with the State Leprosy Officer. The funds allotted by the Government of India for the implementation of the programme in the Union Territory of Delhi were not distributed by the State Leprosy Officer to each of the programme implementing agencies.
- Against the target of detecting 2600 cases of leprosy fixed by the Government of India, 4831 leprosy cases were reported in the Union Territory of Delhi by 8 out of the 21 implementing agencies indicating that the incidence of the disease was much more than anticipated while fixing the targets.
- No action was taken by the State Leprosy Officer to obtain information regarding treatment, arrest and cure of the disease from 13 of the 21 implementing agencies.
- The infrastructure prescribed in the programme was not set up, except an urban leprosy centre-cum-reconstructive

surgery unit and temporary hospitalisation ward with 20 beds. Even this centre/unit was functioning without para-medical staff.

- There were deficiencies in planning, programming, organising and implementing the programme.

2.5. Implementation of the programme

The programme was being implemented by Leprosy Centre; All India Institute of Medical Sciences, New Delhi; Central Government Hospitals (4); Delhi Administration Hospitals (6); Municipal Corporation of Delhi Hospitals/Clinics/Dispensaries (8) and Voluntary Organisations (2).

2.6. Allocation of funds

The allocation of funds for the years 1980-81 to 1986-87 and expenditure there-against, as obtained from the Ministry of Health and Family Welfare (Department of Health), were as under:--

Year	Allotment of Funds		Expenditure	
	Cash	Kind	Cash	Kind
	(in lakhs of Rupees)			
1980-81	1.15	0.15	0.50	0.73
1981-82	0.37	0.23	..	0.05
1982-83	0.25	0.25	0.10	0.43
1983-84	5.00	1.48	..	0.13
1984-85	12.00	0.45	..	0.10
1985-86	12.00	0.45	2.73	0.45
1986-87	2.00	0.50	..	0.50
Total	32.77	3.51	3.33	2.39

It was observed that the State Leprosy Officer merely endorsed copies of the budget allotment letters received by him from the Government of India, Ministry of Health and Family Welfare to the Municipal Corporation of Delhi and the Lok Nayak Jai Prakash Narain Hospital, the programme implementing agencies, for further necessary action without even indicating the funds allotted to each agency out of the funds placed by the Government of India at the disposal of the Union Territory of Delhi. The State Leprosy Officer stated in July 1987 that copies of allocation letters received from the Ministry were forwarded by him to the Municipal Corporation of Delhi and the LNJP

Hospital which did not seek any expenditure sanction from the Directorate of Health Services. In the absence of specific allotment of funds to each, the implementing agencies did not incur any expenditure during 1983-84, 1984-85 and 1986-87 resulting in non-implementation of the scheme and non-utilization of the funds made available.

The expenditure of Rs. 2.39 lakhs during the years 1980-81 to 1986-87 was incurred by the Director General of Health Services (Leprosy), Ministry of Health and Family Welfare by way of supply of antileprotic drugs. In 1983 and 1985, the drugs were supplied direct to the consignees by the Government Medical Stores Depot whereas in 1984, the drugs were distributed through the State Leprosy Officer.

Further, no records relating to receipt of funds from the Government of India and expenditure incurred on the programme were maintained by the State Leprosy Officer. As a result, details of expenditure of Rs. 3.33 lakhs incurred on the programme were not made available to Audit.

2.7. Detection of cases

The State Leprosy Officer reported the number of leprosy cases detected against the targets fixed by the Government of India as follow :--

Year	Targets (No. of cases)	No. of cases detected
1983-84	100	1246
1984-85	500	1241
1985-86	1000	1080
1986-87	1000	1264
Total	2600	4831

Detection of 4831 leprosy cases during 1983-84 to 1986-87 against the target of 2600 cases was reported by 8 out of 21 implementing agencies and 13 agencies had not submitted any report to the State Leprosy Officer. The State Leprosy Officer also did not take any action to obtain the wanting information from these agencies. It was thus obvious that the incidence of leprosy in the Union Territory of Delhi was much more than anticipated while fixing the targets by the Government of India and

during detection of cases reported by the State Leprosy Officer to the Government of India.

2.8 Lack of infrastructural facilities

2.8.1 Except for establishing in July 1982 of re-constructive Surgery Unit with 20 beds which had also been functioning as Urban Leprosy Centre and Temporary Hospitalisation Ward, no other units/centres viz. Leprosy Control Units (LCU) were set up. These units were to be set up at the rate of one per 5 lakh population in areas of high endemicity and Survey Education and Treatment (SET) centres at the rate of one per 20--25 thousand population in areas of moderate endemicity with a staffing pattern of one para-medical worker (PMW) for each centre. This was envisaged in the programme to identify leprosy cases amongst the population to register them for providing continuous treatment to them as close to their homes as possible and to educate them, their families and the community about leprosy. Moreover, no survey was ever conducted to identify the endemicity areas requiring necessary facilities. Non-establishment of the rest of the infrastructure i.e. up-graded leprosy centres, up-graded district leprosy centres, up-graded leprosy training centres, appointment of non-medical supervisors, district leprosy units, maintenance of voluntary leprosy beds, etc. as required under the programme was mainly consequential to the non-establishment of leprosy control units and/or Survey Education and Treatment Centres at district levels. Even the unit which was established was manned by skele-

ton staff (Doctor : 1, non-medical Supervisor : 1, and daily wagger Group (D) : 4) and 7 posts (Physiotherapist : 1, Lab-Technician : 1, Dresser : 1, Staff Nurses : 2, Nursing orderly : 1 and Sweeper : 1) were lying vacant.

2.8.2 The request made in 1983 by Leprosy clinic, Tahirpur under the Municipal Corporation of Delhi with 150 beds, for the additional medical and para medical staff was not entertained. The additional staff asked for included eye-specialist : 1, Orthopedic : 1, M.D. (Medicine)-cum-Chest T.B. Specialist :1, involving an expenditure of Rs. 4.00 lakhs per annum for attending to patients whose number had increased five fold. Similarly, the demand for additional medicines was also not met by the State Leprosy Officer/Municipal Corporation of Delhi.

2.9 Monitoring

The State Leprosy Officer did not obtain any reports from any of the implementing agencies on treatment, arrest and cure of the disease. He was, thus, not aware of the progress made in the treatment of the patients already identified. Not a single patient was noticed on record to have been discharged after complete arrest or cure of the disease.

The matter was reported to Delhi Administration in September 1987 ; the reply had not been received (November. 1987).

MINISTRY OF HUMAN RESOURCE DEVELOPMENT

(Directorate of Education—Delhi Administration)

3. Irregular drawal of Rs. 42 lakhs

As per Rule 100(2) of Central Government Account (Receipts and Payments) Rules 1983, no money shall be drawn from Government account unless it is required for immediate disbursement. It is not permissible to draw money from Government account in anticipation of demands or to prevent the lapse of budget grants.

The Directorate of Education, Delhi Administration, (Directorate) drew Rs. 42 lakhs on 31st March 1987 from the Government account, under the scheme 'Additional Schooling Facilities' though the orders for supply of furniture (Officers table : 100 Nos. Clerks table : 2500 Nos., Chairs : 5000 Nos., Almirahs : 1500 Nos.) were placed on 26th March 1987 with 6 firms subject to the approval of samples by the DGS & D and

the conditions that the suppliers would execute formal agreement, deposit the security at 5 per cent of the value of order and intimate the quantity to be supplied every month, by 15th April 1987. The entire amount was refunded on 5th May 1987 by the Directorate on the plea that none of the suppliers had complied with the terms and conditions of purchase order. No furniture had been purchased so far (September 1987) by the Directorate.

The Ministry stated (December 1987) that the money was drawn as there was dire necessity of the material and it was expected that the suppliers would supply the material in April 1987. The drawal of Rs. 42 lakhs made by the Directorate, in violation of the rules, to avoid lapse of funds during 1986-87 was irregular.

DELHI ADMINISTRATION

(Directorate of Education)

4. Infructuous expenditure of Rs. 17.92 lakhs on surplus staff

Rule-46 of the Delhi School Education Rules 1973 envisages that no Managing Committee shall close down an aided school without prior approval of the Director of Education. Under Rule 47 of the said rules, surplus staff of a closed aided school shall be absorbed in such Government School or aided school as the Administrator may specify subject to availability of vacancy and the concerned employee possessing the requisite qualification for the post.

The Managing Committee of an aided school closed down the school with effect from 30th April 1982 without prior approval of the Director of Education. In July 1982, the Director of Education temporarily placed the services of 25 teachers and other staff of the school at the disposal of the Government/aided schools till the staff was adjusted in a regular manner subject to the condition that the employee concerned had been selected and appointed in a regular manner and that the employee had been working against a post duly sanctioned in the closed school as a result of post fixation for 1982-83. The 25 teachers and other staff were not working against vacant posts and no regular absorption had been made even after a lapse of 5 years. The payments of 95 per cent of the pay and allowances of the staff were being authorised and paid by the Directorate of Education through a Zonal Education Officer against the grant-in-aid of the Vidya Bhawan School which had closed in April 1982.

The eligibility of the surplus staff for absorption in Government/aided schools and placement against the sanctioned vacant posts had not been decided (August 1987) and the staff had been paid a sum of Rs. 17.92 lakhs up to March 1987.

The matter was reported to Delhi Administration in September 1987; the reply had not been received (November 1987).

5. National Loan Scholarship Scheme

A National Loan Scholarship Scheme was introduced by the Government of India in

1963-64 to provide financial assistance to needy and meritorious students to enable them to complete their education and also to provide incentive to bright students to take up teaching as a profession. The scheme covered studies from post-Matriculation stage to M.Phil. and Master's degree or its equivalent examination in technical or professional courses. The amount of scholarship ranged from Rs. 720 to Rs. 1750 *per annum* for different stages of education. The scheme for the Central Board of Senior Secondary students all over India and others in the Union Territory of Delhi was being implemented by the Directorate of Education, Delhi Administration, (Directorate) on a year to year basis.

The scheme provided for the repayment of the scholarship amount by the loanee scholars in suitable monthly instalments, depending upon their income on employment, one year after the scholar concerned starts earning or 3 years after the termination of scholarship (extendable upto 8 years from the commencement of concerned course of studies in certain circumstances) whichever was earlier. In case of default, the amount of loan scholarship was recoverable alongwith interest thereon as arrears of land revenue. The selected candidates were also required to execute a bond with the Government to abide by the terms and conditions of the award and for repayment of the loan. Such a bond was jointly signed by the selected scholar and his/her parents/guardian standing surety for him/her.

No consolidated and periodical record of the amounts falling due for repayment by the scholars had ever been maintained by the department. However, as per the information compiled by the Directorate from individual files at the instance of Audit (August 1987), it was seen that more than 50 per cent (1293 out of 2400) of the scholars defaulted in repayment of scholarship amounting to Rs. 17.96 lakhs as on 31st March 1987, against the total amount of Rs. 41.36 lakhs paid during 1963-64 to 1983-84. The amount could not be recovered by the department due to (i) unwillingness of the scholars to repay the loans (ii) ineffective pursuance by the department reportedly due to inadequate staff and (iii) non-availability of the correct addresses of the

scholars after completion of their studies and subsequent employment and settlement elsewhere. Many of the cases referred to the Collector for recovery of loan as arrears of land revenue were also returned by him as no proceedings could be started against the defaulting scholars and their parents/guardians for want of their correct addresses.

Thus the loan scholarship amounting to Rs. 17.96 lakhs had become irrecoverable.

The matter was reported to Delhi Administration in October 1987; the reply had not been received (November 1987).

MINISTRY OF SURFACE TRANSPORT

(Public Works Department—
Delhi Administration)

6. Avoidable expenditure of Rs. 20.55 lakhs-- construction of Eastern Guide Bund Part-I and Part-II of the bridge across river Yamuna

(a) Tenders for the work "Construction of Eastern Guide Bund Part-I" which was part of the work of construction of a bridge across the river Yamuna, opposite the ISBT were invited by the Yamuna Bridge Project Division-II, on 14th September 1984. Of the 11 tenders received, the lowest was of Rs. 87.54 lakhs, which was 33.55 per cent above the estimated cost of Rs. 65.55 lakhs and was recommended by the Project Manager to the Central Works Board on 1st October, 1984. The Central Works Board, however, decided to reject the tender and to recall it with a short notice of 15 days on the ground that item No. 5 of the Schedule of quantities and rates was not clear and that it did not specify the number of wire-mesh crates to be provided by the contractor, even though the Project Manager stated that there was nothing ambiguous in the nomenclature of this item. Further, according to him, the tender was finalised in consultation with the then Ministry of Shipping and Transport and re-tendering might delay the work and increase its cost.

Tenders were re-invited on 23rd October 1984 after changing the nomenclature of item No. 5. Out of 3 tenders received, the lowest tender of contractor 'A', who happened to be the lowest in the first call also, was accepted for a negotiated amount of Rs. 92.64 lakhs i.e. 38.45 per cent above the estimated cost of Rs. 66.91 lakhs (revised due to change in the nomenclature in second call).

It was however, noticed that during the first call the nomenclature of item No. 5 prescribed the size of wire-mesh crates not to be larger than 3.0m x 1.5m x 1.25m and not smaller than 2.0m x 1.0m x 0.5m, whereas in the second call, the size of crates to be used was not to be larger than 2.2m x 2.2m x 1.0m without any restriction on the smaller size. In both the calls, the weight of the wire-mesh was not to be less than 2.65 kgs. per square meter

of its area. Thus the number of crates to be provided was not definite even in the revised nomenclature of item No. 5. Moreover, the size of the crates as specified during the second call could be obtained out of the size of crates specified during the first call, as also pointed out (January 1986) by the Technical Examiner (Central Vigilance Commission).

Thus the recall of the tenders without any material change in the nomenclature resulted in avoidable expenditure of Rs. 5.10 lakhs.

(b) Likewise, tenders were re-invited on 12th November 1984 as per decision of the Board after amending item No. 5 of the Schedule of quantities and rates in respect of the other part of the same work viz. 'Construction of Eastern Guide Bund Part II'. In the first call, the rates of Rs. 63.36 lakhs quoted by Contractor 'B', which were 30.43 per cent above the estimated cost, were the lowest. In the re-tender also, his rate of Rs. 68.31 lakhs being the lowest, was accepted. Thus, in this work also, an avoidable expenditure of Rs. 4.95 lakhs was incurred.

The Ministry stated (November 1987) that although the nomenclature of item No. 5 (providing and laying wire crated boulders) of the first call had been approved by the then Ministry of Shipping and Transport, the Central Works Board, Ministry of Urban Development in their wisdom decided to recall the tenders.

(c) Further, in respect of the works mentioned at (a) and (b) above, the rates of Rs. 225 per cum were quoted by the contractors for item No. 5 of the 'Schedule of quantities and rates' against the estimated rate of Rs. 151.13 per cum worked out by the Department. While preparing the detailed analysis of rates, the Department took into account 15 per cent voids in filling the crates with stones of specified sizes. No provision for deduction of voids above 15 per cent was, however, made by the Department in the agreement. As per the specifications, the size of stones should be as large as possible and in no case any

fragment should weigh less than 40 kgs., its size should not be less than 20 cm in any direction and the specific gravity of stones should not be less than 2.50. In order to assess the quantity of voids actually left out, an experiment was conducted at site on 14th and 15th March 1985 by the Executive Engineers Yamuna Bridge Project, Division No. I and Division No. II, wherein it was observed that the undersized stones to the extent of 25 per cent were necessary for filling the voids and even after doing so, voids to the extent of 40.15 per cent remained in the experimental pit. As a result, the contractor was allowed (April 1985) by the Project Manager in consultation with the Director General (Works) CPWD to fill in the voids left after filling the crates with the stones of approved size and weight and best hand packing with small stones (less than 40 Kgs.) on the condition that :--

- (a) the quantity of smaller stones is minimum and they are used only after doing best hand packing, and
- (b) the contractor does not derive any financial benefit due to the use of smaller stones.

The experiment had proved that the terms of the agreement that filling of the crates with stones shall be done ensuring regular and orderly disposition of the full intended quantity of stones in the crate and that no deduction shall be made for voids, were not technically sound and realistic. Further, while preparing the estimate for item No. 5, voids to the extent of 15 per cent only in filling stones in crates were taken into account against which 40.15 per cent voids were actually left. Thus even after allowing the contractor to use 25 per cent small size stones for filling voids and taking into account 15 per cent voids already accounted for by the Department, voids to the extent of 25 per cent were left in stone filling resulting in the extra payment of Rs. 10.50

lakhs as per details given below :--

- (a) (i) Total quantity of work (item No. 5) executed (as per final running bill paid in May 1986) -29446 cum
- (ii) 25 per cent of work executed -7361 cum
- (iii) Over payment @ Rs. 96.25 per cum -Rs. 7.08 lakhs
- (b) (i) Total quantity of work (item No. 5) executed (as per 11th running bill paid in October, 1985) -15190 cum
- (ii) 25 per cent of work executed -3797 cum
- (iii) Over payment @ Rs. 90 per cum -Rs. 3.42 lakhs

The Ministry stated in November 1987 that if the agreement provided for any deduction for voids, the rates quoted by the contractors would have been correspondingly higher. The reply of the Ministry was not tenable in as much as the clause for non-deduction for voids which were inevitable to the extent of 65 per cent in the crates filled by large size stones as proved by the experiment benefited the contractors as they had to fill in 60 per cent volumes of the crates against anticipated 85 per cent in the estimates.

The following are the main points which emerge :--

- (i) The call of second tender in both the parts was unnecessary because it was as ambiguous as the first one and it resulted in avoidable expenditure of Rs. 10.05 lakhs.
- (ii) The unrealistic terms of the agreement that crates would be filled by only by large size stones of not less than 40 kgs. each and no deduction would be made for voids benefited the contractors by Rs. 10.50 lakhs.

DELHI ADMINISTRATION

(Public Works Department)

7. Irregular rescission of contract resulting in extra expenditure of Rs. 1.45 lakhs

The work "Construction of the Government Higher Secondary School at Bhola Nath Nagar, Phase II, Shahdara" was awarded to a contractor by the Public Works Division XVIII of Delhi Administration on 27th January 1979 at the negotiated amount of Rs. 7.31 lakhs which was 14.94 per cent above the estimated cost. The work was to be completed by 5th February 1980. As the progress of work was slow, the Executive Engineer issued a show cause notice to the contractor on 11th September 1979 to accelerate the execution of work within 7 days failing which the Department reserved the right to rescind the contract and get the balance work executed at his risk and cost etc. The contractor in his reply of 17th September 1979 attributed the delay in the execution of work to the department due to non-supply of working drawings, steel etc. on time and sought 25 per cent increase on the agreed rates for the work to be executed thereafter. Though the Department considered the reply of Contractor to be unsatisfactory, he was allowed to continue with the work. Subsequently, the Department rescinded the contract on 26th February 1981 at the risk and cost of the contractor without any further notice to him. The security deposit of Rs. 0.34 lakh (bank guarantee Rs. 0.24 lakh and cash Rs. 0.10 lakh) furnished by the contractor was also forfeited. The balance work was got executed by another Public Works Division XXII through different agencies at an extra cost of Rs. 1.45 lakhs.

The matter was referred to arbitration in September 1985 as the contractor contested to the decision of the Department. The arbitrator in his award of 20th January 1986 held that the belated action on the show cause notice issued in September 1979 amounted to unlawful rescission of contract by the Department and rejected the claim of the Department for extra expenditure of Rs. 1.45 lakhs in getting the balance work done and awarded the refund of security deposit of Rs. 0.34 lakh (including interest).

The award was accepted by the Chief Engineer, Delhi Administration.

Thus the irregular and belated rescission of the contract resulted in extra expenditure of Rs. 1.45 lakhs for which no responsibility was fixed (August 1987).

The matter was reported to Delhi Administration in August 1987; the reply had not been received (November 1987).

8. Irregular rescission of contract resulting in infructuous expenditure of Rs. 1.70 lakhs

The work of 'construction of a 300 bedded Ward Block (Phase I-168 beds and Phase II-132 beds) at Lok Nayak Jai Prakash Narain Hospital' was awarded in October 1980 to contractor 'A' by the Public Works Division XII of Delhi Administration at the negotiated cost of Rs. 18.95 lakhs which was 62.99 per cent above the estimated cost of Rs. 11.63 lakhs.

The work was not completed by the contractor within the stipulated date of June 1981. The Executive Engineer issued a notice to the contractor on 12th April 1982 to show cause within 15 days as to why action should not be taken for breach of the contract and execution of balance work at his risk and cost. The contractor in his letter of 21st April 1982 pointed out to the Executive Engineer, the various lapses viz. shortage of steel at the very beginning, non-providing of electrical contractor at the proper time, etc. which were responsible for the delay in progress of work. He, however, expressed his readiness to complete the work according to the revised time schedule to be framed by the Department. Instead of taking any action on the contractor's letter and giving reply thereto, the Department continued to accept and pay for further work done by him. Subsequently, the Department rescinded the contract on 1st October 1982 i.e. after a gap of about 5 months at the risk and cost of the contractor without giving another notice. The balance work was got done by another contractor 'B' at an extra cost of Rs. 1.63 lakhs.

The matter was referred to arbitration in August 1985. The Arbitrator in his award of 17th November 1986 observed that.--

- (i) there were a number of hold-ups in the execution of work by the Department and some of the details/decisions

could not be given to the contractor even at the time the work was rescinded;

- (ii) the rescission order was given on a show cause notice issued on 12th April 1982 and that the notice had lapsed by mutual conduct of both the parties as the execution of work continued after this date; and
- (iii) the Department continued to make payment on the running bills presented by the contractor after the above date.

He further held that the termination of work by the Department was not in order and accordingly awarded refund of security deposit of Rs. 0.66 lakh. The claim of the Department for Rs. 1.63 lakhs on account of extra expenditure in getting the balance work done was also rejected by the Arbitrator. The net payment of Rs. 0.17 lakh on account of with-held security deposit, final

bills, etc; less counter claim of the department plus interest on the above amount at the rate of 10 per cent from 23rd May 1983 till the date of payment or decree of the court whichever was earlier, was awarded to the contractor.

The award was accepted by the Chief Engineer of Public Works Department, Delhi Administration which included payment of interest of Rs. 6744.82 to the contractor in April 1987.

Thus the irregular rescission of the contract resulted in an extra expenditure of Rs. 1.70 lakhs to the Department (Rs. 1.63 lakhs on account of extra expenditure incurred on completion of the work and Rs. 0.07 lakh due to interest). No responsibility for this infructuous expenditure had been fixed by the Department (October 1987).

The matter was referred to the Chief Secretary, Delhi Administration in August 1987; the reply had not been received (October 1987).

**MINISTRY OF HEALTH AND
FAMILY WELFARE**

**(Public Works Department--
Delhi Administration)**

9. Purchase of Cables

Mention was made in paragraph 6 of the Report of the Comptroller and Auditor General of India for 1985-86: Union Government (Civil) Volume II regarding certain aspects of Guru Teg Bahadur Medical College and Hospital Project.

During further review (April 1987), it was noticed that the project had in stock 1373.80 metres of PVC insulated PVC sheathed aluminium conductor armoured cables of different sizes in April 1985. Additional quantities of 1990 metres were obtained from Central Electrical Stores (CES) Division, CPWD during April/May 1985. Although the quantities already in stock and the additional quantities obtained from CES Division had not been utilised 1070 metres of cables costing Rs. 2.14 lakhs were purchased from a private firm in April 1985. The rates at

which payment was made to the firm were considerably higher than the corresponding issue rates of the CES Division. Further, the purchases so made were beyond the powers of the Executive Engineer.

The Ministry stated (November 1987) that the cables were purchased from the private firm because the same were required for immediate use.

It was, however, noticed in Audit that keeping in view the stock position (including that of the sub-divisions), procurement from CES division, actual utilisation and availability of stores in CES division, etc. the purchases from the firm were not necessary. The unnecessary purchases of 1070 metres of cables resulted in extra expenditure of Rs. 1.01 lakhs. No responsibility had been fixed by the department (November 1987).

DELHI ADMINISTRATION

(Rehabilitation Services)

10. Rehabilitation Services

10.1 Rehabilitation Services of Delhi Administration are running 19 training-cum-production centres for soap making, phenyl making, grinding of wheat, spices making and embroidery work, etc. The Refugee Handicrafts Shop coordinates the production and sale of the produce of these centres. The centres undertake both Government and private order works. The sales of finished products are done at the centres and the Shop. Purchases for the centres are arranged by the Rehabilitation Services. Accounts are maintained by the Shop to whom the centres submit their receipts and other related accounts, documents, etc. to enable the Shop to prepare Trading, Profit and Loss Accounts and Balance-Sheet annually and submit the same to the Rehabilitation Services.

10.2 During a review of the Shop accounts, the following points were noticed :--

10.2.1 *Arrears in preparation and approval of annual accounts.*--The annual Trading, Profit and Loss Accounts and Balance-Sheet were prepared and approved upto 1971-72 only. For the period 1972-73 to 1975-76, these were prepared by the Shop and sent to Rehabilitation Services but not yet approved (November 1987). The arrears in the preparation of accounts were brought to the notice of the concerned authorities by Audit in July 1976. The Annual accounts and Balance-Sheet for the subsequent period from 1976-77 to 1986-87 had not been prepared. Thus the state of affairs of running of Shop and centres and their financial

position could not be ascertained in Audit for these years. Rehabilitation Services stated (November 1987) that the accounts in respect of the period from 1972-73 to 1975-76 were being got approved by the competent authority and a Chartered Accountant was being engaged for finalisation of the accounts for the period from 1976-77.

10.2.2 *Irregular charge of Rs. 1.62 lakhs from the Cash Book.*--During reconciliation of cash balance with the bank balance as per Bank Pass Book of the Shop for the period May 1967 to March 1979, a difference of Rs. 1.62 lakhs was noticed. Instead of reconciling the difference, it was charged off in the Cash Book on 1st October 1981, although no such payment or book adjustment was actually made. Rehabilitation Services stated in November 1987, that necessary correction in the accounts in respect of the difference had been carried out by opening a Suspense account.

10.2.3 *Outstanding recoveries.*--A sum of Rs. 2.65 lakhs was recoverable by the Shop as at 31st March 1976 on account of credit sales to various departments of the Government of India. The amount had increased to Rs. 8.03 lakhs as on 31st March 1986. Rehabilitation Services stated in November 1987, that a sum of Rs. 3.04 lakhs had since been recovered and the matter to write off the outstanding recoveries of Rs. 2.65 lakhs upto March 1976 was being taken up with Delhi Administration. It was also stated that efforts were being made to recover the balance amount.

Directorate of Social Welfare

11. Non-recovery of Rs. 2.87 lakhs

The Delhi Grants of Social Welfare Institutions/Organisations Rules 1975 envisage that an institution which is closed or fails within one year of the receipt of the grant shall refund the whole or such part of the grant as may be determined by the Directorate of Social Welfare.

The Social Welfare Directorate of Delhi Administration released grants totalling Rs. 2.87 lakhs to 13 institutions during 1975-76 to 1984-85, as per details given in

Annexure. These institutions had either been closed or failed within the year in which they received the grants.

No review of the grants given to these institutions was carried out and the amount of grants released to them had not been recovered by Delhi Administration (February 1987).

The matter was reported to Delhi Administration in March 1987; the reply had not been received (November 1987).

ANNEXURE

Statement of institutions which were closed/failed within one year of the receipt of the grant upto 1985-86

S. No.	Name of the Institutions	Year/Month in which grant released	Amount of Grant (in Rs.)	Year/month in which the institution was closed/failed
1	2	3	4	5
1.	Child Guidance School Society	1981-82	50,000	1981-82
2.	Bachho Ka Ghar	1980-81	12,500	1980-81
3.	Family and Child Welfare Project	1977-78	25,000	1977-78
4.	Arya Bal Grah	1977-78	8,150	1977-78
5.	Arya Kanaya Sadan	1977-78	4,000	1977-78
6.	Dr. Zakir Hussain Memorial Welfare Society	1981-82	20,500	1981-82
7.	Deaf and Dumb Association	1975-76	10,000	1975-76
8.	Sanskrit Ved Vedang Maha-Vidyalaya	1980-81	43,282	1980-81
9.	SOS Children Home	1975-76	81,000	1975-76
10.	Delhi State Scouts and Guides	1979-80	5,500	1979-80
11.	Shiva Nand Vidya Bhawan	1979-80	12,780	1979-80
12.	Shri Mukhtiar Singh Samriti Shiksha Samiti	1981-82	5,000	1981-82
13.	Manav Vikas	1984-85	9,000	1984-85
Total :			2,86,712	

Local Self Government Department

12. Non-recovery of loans and interest

(a) Local Self Government Department of Delhi Administration advanced 181 loans aggregating Rs. 102.81 crores to the Municipal Corporation of Delhi from March 1950 to August 1987. The total loans due for recovery amounted to Rs. 53.66 crores as principal and Rs. 18.31 crores as interest thereon as in September 1986.

Out of 181 loans, no amounts had been paid in 46 cases (September 1986) towards the principal and interest although the period within which payment was to be made had already expired. Further, in 71 cases, no payment had been made either towards principal or towards interest though instalments had become due.

(b) Delhi Administration also advanced 129 loans aggregating Rs. 297.10 crores to Delhi Water Supply and Sewage Disposal Undertaking from July 1932 to September 1986. Of the above amount, Rs. 294.51 crores towards principal and Rs. 136.11 crores towards interest had become due for recovery (September 1986). There had been no repayment either towards principal or interest in 108 cases and in the remaining 21 cases, payment had not been made after the years mentioned below :--

No. of cases	Year
1	1968-69
4	1969-70
8	1970-71
3	1971-72
2	1973-74
2	1974-75
1	1975-76

(c) Sixty four loans aggregating Rs. 472.54 crores were advanced to Delhi Electric Supply Undertaking from March 1951 to September 1986. Rupees 118.32 crores towards cumulative interest on these loans had become due (September 1986). No

repayment towards principal and interest had been made since March 1969.

13. Outstanding utilisation certificates

Certificates of utilisation of grants are required to be furnished in respect of grants-in-aid released to the Municipal Corporation of Delhi by the Local Self Government/Department of Delhi Administration for specific purposes specifying therein that the grants had been properly utilised on the objects for which they were sanctioned and that where the grants were conditional, the prescribed conditions had been fulfilled. The position of outstanding utilisation certificates in respect of grants given to the Municipal Corporation of Delhi is given below :--

Period of sanction of grant	Number of utilisation certificates outstanding at the end of March 1987	Amount
		(Rupees in lakhs)
1977-78	14	748.29
1978-79	6	566.96
1979-80	7	658.81
1980-81	7	264.53
1981-82	26	429.56
1982-83	29	805.40
1983-84	34	2425.24
1984-85	33	3668.06
	Total	9566.85

14. Non-furnishing of statement of assets

As per the terms and conditions for sanction of loans/grants, a statement of assets created out of loans/grants was to be furnished by the Municipal Corporation of Delhi to Delhi Administration. It was, however, noticed in Audit that the statement of assets had not been submitted to Delhi Administration since inception of the Corporation in 1958. Despite this, loans/grants were regularly released to the Corporation by Delhi Administration. Reasons as to why the submission of the statement of assets was not

insisted upon while releasing further loans/grants were not intimidated by Delhi Administration.

Union Government have been approached (September 1987) for entrusting the Audit of Delhi Municipal Corporation under Section 15 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

15. Delay in submission of Accounts

Section 206(5) of Delhi Municipal Corporation Act, 1957 provides that the Commissioner, Delhi Municipal Corporation is to forward to Delhi Administration, the copies of the Report of the Chief Auditor on the Accounts of the Corporation for the previous year with a brief statement of the action, if any, taken or proposed to be taken thereon.

It was seen in Audit that the Report of the Chief Auditor alongwith Annual Accounts for the years 1982-83 to 1984-85 had not been submitted to Delhi Administration (December 1987).

16. Release of excess funds of Rs. 379.81 lakhs

Delhi Administration approved in March 1981 a scheme for development of 135 villages with a population of 1000 or more

at an estimated cost of Rs. 781.30 lakhs. In a meeting presided over by the Chief Secretary, Delhi Administration held in January 1986, it was decided that the total expenditure on the scheme should not exceed the aforesaid ceiling.

It was noticed that a revised scheme was received in 1986 from the Corporation for development of 208 villages costing Rs. 2475.86 lakhs. As the scheme was lacking in vital respects, the Corporation was requested in March 1986 to re-examine the same. However, the following loans were released in anticipation of the approval of the revised scheme by Delhi Administration upto 1986-87 :

Year	Amount released (Rs. in lakhs)
1980-81	1.00
1981-82	16.00
1982-83	116.00
1983-84	225.60
1984-85	291.00
1985-86	211.51
1986-87	300.00
Total	1161.11

Release of funds by Delhi Administration over and above the approved outlay without sanction of the revised scheme was irregular.

MINISTRY OF HOME AFFAIRS

(Commissioner of Police—
Delhi Administration)

17. Non-realisation of Rs. 2.40 crores on account of providing additional police

Under Section 40 of the Delhi Police Act 1978, the cost of additional police provided for employment at any large work or any public amusement is to be recovered from the parties concerned. As on 31st March 1986 recovery of Rs. 240.45 lakhs on account of employment of additional police guards was outstanding as detailed below :-

(i) Delhi Development Authority	Rs. 232.22 lakhs
(ii) Municipal Corporation Delhi.	Rs. 0.41 lakh
(iii) New Delhi Municipal Committee.	Rs. 7.82 lakhs

Total	Rs. 240.45 lakhs
-------	------------------

The major portion (Rs. 232.22 lakhs) related to Delhi Development Authority (DDA) which had not paid the dues for the supply of additional police used mainly for demolition operations of unauthorised constructions from 1964 onwards. The Commissioner of Police discussed the matter with the Vice-Chairman, DDA in October 1983 and it was decided to drop the recovery for the time being, as DDA did not agree to pay the dues. On this being pointed out in Audit (September 1986), the department started (November 1986) pursuing recovery of the outstanding dues with the DDA.

The matter was reported to Ministry in September 1987; the reply had not been received (November 1987).

18. Purchase of defective wireless sets

In order to enhance the speed of message transmission and also to broadcast message to all districts units, the Police Communication Unit, Delhi purchased 17 wireless sets costing Rs. 4.98 lakhs from a Government of India Undertaking, during December 1977 and May 1983 against indents placed with

the undertaking during January 1973 and March 1980, as detailed below :

Sl. No.	Category of sets	Date of indent	Date on which taken on charge	Value (in lakhs of rupees)
1.	8 Sets of LVS-110/VS 403	17-1-73	20-12-77	2.21
2.	5 Sets of LVS-115/VS 406	13-1-77	21-8-82	1.57
3.	3 Sets of LVS-110/VS 403	6-3-80	5-7-82	0.90
4.	1 Set of LVS-110/VS 403	6-3-80	18-5-83	0.30

The sets received were found defective. The same were, however, accepted by the department after repairs and modifications by the firm. The payments for the sets were made to the firm during February 1978 and December 1983. When these sets were put into service, their workability was found below normal because of their weak reception, low sensitivity and the telex not giving proper output and drift in frequency. Consequently, all the 17 sets remained unused from the date of their procurement. The Communication Unit of the Department stated (September 1987) that the Director, Police Telecommunications, Ministry of Home Affairs, through whom the sets were purchased had been reminded regularly to get the sets repaired or the cost thereof got refunded.

Further developments were, however, awaited (November 1987).

GENERAL

19. Losses and irrecoverable dues written off and *ex-gratia* payments made

A statement showing losses and irrecoverable revenues, duties, advances, etc. written off and *ex-gratia* payments made during the year 1986-87 is given in Appendix-I to this Report.

CHAPTER III

MINISTRY OF URBAN DEVELOPMENT

(Delhi Development Authority)

20. Construction of 288 LIG houses at Motia Khan

The construction work of 288 LIG houses in Group I at Motia Khan was awarded (November 1981) by Construction Division-IV of Delhi Development Authority (DDA) to contractor 'A' at tendered amount of Rs. 72.13 lakhs which was 83 per cent above the estimated cost of Rs. 39.42 lakhs. The scheduled dates of start and completion were 5th December 1981 and 4th September 1982, respectively.

The contractor was required to construct 288 four-storeyed LIG dwelling units in 16 blocks consisting of 18 flats each. The work was started in 11 blocks consisting of 198 flats as the work on the remaining 5 blocks consisting of 90 flats was not taken up due to revision in foundation drawings because of development of cracks in houses already constructed. The progress of work was very slow as up to the stipulated date of completion, only 41 per cent of the work valuing Rs. 29.62 lakhs was executed. The work done by contractor 'A' was inspected by Chief Engineer (Quality Control) of DDA during December 1982 when the progress of work was about 50 per cent and by the Chief Technical Examiner, Central Vigilance Commission during March 1983 when the progress of work was 56 per cent. Some serious defects like (i) Cracks in RCC slabs and brick walls in single storey portions, (ii) RCC Columns, kitchen walls, common walls and brick walls out of plumb at places, (iii) Under burnt pila bricks used at a number of places, (iv) approved steel Primer not used and (v) size of tank not as specified, etc. were noticed.

The contractor did not rectify the defects and in spite of show cause notices, the progress of work was not satisfactory. He finally abandoned the work on 29th May 1985 and requested on 5th June 1985 for arbitration on certain disputes. The DDA issued 7 days' show cause notice on 14th June 1985 to the contractor to which no satisfactory reply was received. The contract was rescinded on 19th July 1985 at the risk and cost of the contractor. Compensation of Rs. 3.94

lakhs was also levied (26th July 1985) on him for the delay in the execution of work. The value of the work executed by him was Rs. 50.38 lakhs against which payment of Rs. 50.25 lakhs had already been made up to 15th March 1984. The progress of work was about 70 per cent. Against the rescission of contract, the contractor obtained a stay order from the High Court which was vacated in November 1985. The matter was referred (January 1986) for arbitration. The department filed (January 1987) counter claims for Rs. 17.33 lakhs (Compensation for delay : Rs. 3.94 lakhs, Forfeiture of Security deposit : Rs. 1.00 lakh, Risk and cost recovery : Rs. 11.30 lakhs, non-employment of graduate engineer : Rs. 0.84 lakh, levy of water charges by Municipal Corporation of Delhi : Rs. 0.25 lakh) before the arbitrator.

Tenders for the balance work were invited in May 1986 i.e. after a lapse of about 6 months of the vacation of stay order. The work was awarded to contractor 'B' on 31st December 1986 at the tendered amount of Rs. 48.88 lakhs which was 138 per cent above the estimated cost of Rs. 20.54 lakhs. The dates of start and completion were 10th January 1987 and 9th July 1987 respectively. The balance work was still in progress (October 1987).

The following are the main points that emerge :

- The non-completion of flats within a reasonable time resulted in blockage of funds to the extent of Rs. 50.25 lakhs, loss of interest and ground rent and disappointment to the registered applicants awaiting residential accommodation.
- Penalty of Rs. 3.94 lakhs levied on contractor 'A' had also not been recovered. Extra expenditure of Rs. 11.30 lakhs likely to be incurred on balance work was also to be recovered from contractor 'A'.
- The contractor 'A' had gone for arbitration and the department filed claims

for Rs. 17.33 lakhs for substandard work and extra expenditure on the balance work, etc.

-- No responsibility for delay and lack of supervision had been fixed.

The DDA stated in October 1987 that houses were likely to be completed in different phases and the first phase consisting of 125 houses was likely to be released by November 1987. The DDA further stated that the investigations for lack of supervision were being entrusted to the Vigilance cell of the DDA.

The matter was reported to Ministry in May 1987; the reply had not been received (November 1987).

21. Defective Execution of work

The work relating to construction of 192 LIG houses in Block 'A' Pocket 'J' at Shalimar Bagh was awarded by Development Division V (DD-V) of Delhi Development Authority (DDA) to a contractor in April 1980. The tendered amount was Rs. 26.65 lakhs which was 39.95 per cent above the estimated cost of Rs. 19.04 lakhs. The due dates of start and completion of work were 8th May 1980 and 7th May 1981 respectively.

Subsequently, the work was transferred to Housing Division-XXVII (HD-XXVII). The progress of work was very slow. The contractor was given a number of opportunities for completing the work, but could not complete the work and ultimately he abandoned it on 21st July 1984. On 5th September 1984, the Executive Engineer HD-XXVII issued 7 days' show cause notice to the contractor. No satisfactory reply was received from the contractor. The contract was rescinded on 1st December 1984. The physical progress of work was 95 per cent. The value of work executed by the contractor till the date of rescission was Rs. 32.57 lakhs. The amount of Rs. 30.35 lakhs was paid to the contractor in June 1983 up to the 20th running account bill by DD-V. In January 1985, the Superintending Engineer levied penalty of Rs. 1.90 lakhs on the contractor for having failed to carry out the work within the stipulated period of one year. The penalty had not been recovered (September 1987). The contractor was debarred from further tendering in DDA in February 1985.

The work done by contractor was inspected by the Chief Engineer (CE) on 30th July 1985. It was noticed that the quality in regard to bricks, RCC work, steel reinforcement in cantilever balconies and sunshades, flooring and plaster work was poor in general. In August 1985, the Chief Engineer desired that the defects may be identified flat-wise. He also directed that the Junior Engineer and Assistant Engineer should bring out the defects flat-wise and the rectification work should be taken in hand forthwith for one block to begin with as this would help in identifying the field problems and site complexities which could be accounted for in preparing the tender for the balance work. The work was again checked and the general quality of work was found very poor. Checking of six flats of one block revealed as under :--

"Quality of brickwork was extremely poor particularly in load bearing walls. The mortar had not attained strength and was coming out of joints, railing of stairs and balconies was not safe, quality of RCC work was not satisfactory. The reinforcement had been dislocated and depressed during testing which was serious for safety of cantilever structures. The flooring of CC-1:2:4 was of very poor quality. The chowkhats of doors and windows developed cracks. Hold fasts were not of required specifications, not fixed properly and hanging loose. Fixing of chowkhats was extremely poor."

The defects in 6 houses of one block were got rectified in May 1986 by issuing work order in November 1985 at the risk and cost of contractor 'A'. An expenditure of Rs. 0.11 lakh was incurred which was yet to be recovered (September 1987). In May 1986, the Superintending Engineer (SE) informed the Chief Engineer that 6 flats out of 192 were taken up for strengthening on experimental basis and the flats so attended were also to be inspected by the Expert Committee of Chief Engineer (Quality Control), Chief Engineer (Design) and Chief Engineer (North Zone) appointed in January 1986 to decide on the remedial measures to be adopted for early salvaging of this scheme. No inspection by the Expert Committee has been made. The defects in the remaining 186 houses continued to exist (September 1987). The tenders for the remaining 5 per cent work (estimated cost Rs. 2.39 lakhs) were invited but no tender

was received till the last date of 10th April 1987 fixed for opening of tenders. The tenders were again invited in October 1987 for the balance work.

Inordinate delay in the rectification of defects and completion of balance work resulted in blockage of investment of Rs. 32.57 lakhs, loss of interest and ground rent. No responsibility had been fixed for failure to detect defective work during its execution and for paying for such defective work. The DDA stated (September 1987) that tenders for rectification of defects and completion of the balance work in the remaining 186 houses had been called for and were under process. The DDA further stated that an Expert Committee consisting of Chief Engineer (QC), Chief Engineer (Design) and Chief Engineer (NZ) appointed to decide on the remedial measures to be adopted for early salvage of the scheme would also identify the officer responsible for accepting the substandard work and that the investigations for lack of supervision were also being conducted by the Vigilance Cell of the DDA.

The following are the main points which emerge :

- There was failure of supervision, checking and test checking by the concerned Engineers of DDA, the contract was rescinded only after a delay of over 3½ years of the stipulated date of completion.
- Neither the defects in 186 houses had been rectified nor the balance 5 per cent work completed (September 1987). This resulted in blockage of funds to the extent of Rs. 32.57 lakhs besides loss of interest and ground rent.
- Penalty of Rs. 1.90 lakhs levied as also the expenditure of Rs. 0.11 lakh incurred on rectification of defects in six houses had not been recovered from the contractor.

The matter was reported to Ministry in May 1987, the reply had not been received (November 1987).

22. Short delivery of Cement

For the award of work "Carriage of cement within the Union Territory of Delhi" during 1983-84 Housing Division III (now

called Stores Division I) of Delhi Development Authority (DDA) invited tenders in March 1983. The work was awarded to contractor 'A' on 21st March 1983 at a tendered cost of Rs. 21.14 lakhs (which was 35 per cent above the estimated cost) without verification of the documents of his registration with Haryana P.W.D. as class I Building and Road contractor. The stipulated dates of start of work and completion of work were 1st April 1983 and 30th September 1983 respectively.

The contractor was required to collect cement bags from the Railway siding at Shakur Basti and deliver the same to the DDA godowns. Railway receipts were handed over to the contractor.

During the period 7th June 1983 to 9th July 1983 the contractor took delivery of 3,05,227 cement bags from the Railway siding and delivered only 2,90,796 cement bags to the DDA Stores Division; 958 cement bags were reported to have been set/stolen during transit. The balance of 13,473 cement bags was unauthorisedly taken away by the contractor. The DDA failed to reconcile the number of bags received daily during the above period with the number of cement bags actually delivered to the contractor at the siding. The shortage came to notice of the DDA only on 10th July 1983 and FIR was lodged with police on 13th July 1983. Subsequently, it came to notice that some more cement bags had not been delivered by the contractor and the total number of bags delivered short by the contractor to DDA Stores Division were 15,716 (Cost Rs. 6.79 lakhs). The special condition of the agreement provides that the bags delivered short by the contractor will be charged at the rate of Rs. 2,100 per tonne. On that basis, the value of cement bags short delivered worked out to Rs. 16.50 lakhs. The contractor stopped the work on 13th July 1983. A seven days' show cause notice was issued to him on 15th July 1983. The contractor neither started the work nor responded to the show cause notice. The contract was rescinded in August 1983 and the security deposit of Rs. 0.86 lakh furnished by the contractor was forfeited. After stoppage of work by the contractor, part work was got done on supply orders. Subsequently, balance work was awarded to contractors 'B' and 'C' on 16th August 1983. The DDA claimed Rs. 7.09 lakhs on account of extra expenditure and penalty leviable for

late supply from the defaulting contractor 'A' in the arbitration proceedings.

There was heavy accumulation of cement bags at the Railway siding and the DDA had to pay Rs. 3.37 lakhs towards demurrage/wharfage charges. Payment of these charges was the responsibility of the contractor 'A' out of which Rs. 1.41 lakhs were stated (September 1987) to have been recovered from him.

The DDA stated (September 1987) that since the contractor 'A' was a working contractor of DDA and he had been executing works of other divisions the documents produced by him were accepted as genuine. It was only at a later stage when the shortages were detected it came to notice that documents produced by him were forged and not issued by State of Haryana (as confirmed by the department subsequently). The contractor had been blacklisted for forgery and cheating and a criminal case initiated against him in the Court of Law. It was also stated that against the actual loss of Rs. 8.75 lakhs on account of the cost of cement and demurrage charges, Contractor's bill and security deposit of Rs. 5.68 lakhs were pending with the DDA and that the entire amount of loss and

penalty had been claimed from the contractor in the claims preferred before the arbitrator.

The following are the main points which emerge :

- There was a failure on the part of DDA in verifying the registration papers of contractor 'A' who was awarded the contract on the basis of forged documents.
- DDA failed to detect the short delivery of 15,716 cement bags (Value Rs. 6.79 lakhs) prior to 10th July 1983. Had day to day reconciliation of cement bags despatched from the Railway siding and those actually received in the DDA stores been effected, the shortage would have been noticed much earlier and suitable remedial measures taken.
- Rs. 26.41 lakhs on account of cost of cement bags short delivered, demurrage/wharfage charges, extra expenditure, penalty for late supply etc. had not yet been recovered (September 1987) from the contractor as the case was under arbitration.

The matter was reported to Ministry in May 1987; reply had not been received (November 1987).

CHAPTER IV

Receipts of the Administration of Union Territory of Delhi

23. Trend of revenue receipts

The revenue receipts of the Administration of the Union Territory of Delhi during the year 1986-87 amounted to Rs. 595.29 crores, out of which tax revenue amounted to Rs. 569.67 crores. The revenue receipts during the year under the major heads alongside the corresponding figures for the preceding two years, are given below :--

	1984-85	1985-86	1986-87
(In crores of rupees)			
A. Tax Revenue			
1. Sales Tax	278.09	325.53	379.16
2. State Excise	81.87	99.33	113.30
3. Taxes on Goods and Passengers (Terminal Tax)**	22.75	26.50	30.34
4. Stamp duty and Registration fees	13.24	16.45	20.17
5. Taxes on Motor Vehicles	10.89	12.38	13.94
6. Land Revenue	0.19	0.15	0.03
7. Other Taxes and Duties on Commodities and Services including Entertainment Tax	9.75	11.51	12.73
Total Tax Revenue	416.78	491.85	569.67
B. Non-Tax Revenue	18.59	23.77	25.62
C. Total Revenue Receipts	435.37*	515.62*	595.29*

Most of the non-tax revenues are accounted for under the heads "Interest Receipts", "Other Administrative Services", "Police" and "Education".

Note

*Information furnished by the Controller General of Accounts.

**Taxes on Goods and Passengers (Terminal Tax) are levied and collected by the Municipal Corporation of Delhi, as agent of the Delhi Administration, as per provisions of Section 178 of Delhi Municipal Corporation Act, 1957.

24. Collection of tax revenue vis-a-vis budget estimates

The collection of tax revenue during the year 1986-87 vis-a-vis the budget estimates, along side the corresponding figures for the preceding two years, are given below :--

Tax Revenue	Year	Budget estimates (In crores of rupees)	Actual receipts	Percentage increase (+) or decrease (-) of actuals over budget estimates
1. Sales Tax	1984-85	270.00	278.09	(+) 3
	1985-86	294.00	325.53	(+) 11
	1986-87	362.00	379.16	(+) 5
2. State Excise	1984-85	85.16	81.87	(-) 4
	1985-86	100.21	99.33	(-) 1
	1986-87	111.14	113.30	(+) 2
3. Taxes on Goods and Passengers (Terminal Tax)	1984-85	22.00	22.75	(+) 3
	1985-86	23.00	26.50	(+) 15
	1986-87	24.50	30.34	(+) 24
4. Stamp Duty and Registration Fees	1984-85	10.55	13.24	(+) 25
	1985-86	12.89	16.45	(+) 28
	1986-87	19.36	20.17	(+) 4
5. Taxes on Motor Vehicles	1984-85	11.60	10.89	(-) 6
	1985-86	11.85	12.38	(+) 4
	1986-87	14.84	13.94	(-) 6
6. Land Revenue	1984-85	0.26	0.19	(-) 27
	1985-86	0.23	0.15	(-) 35
	1986-87	0.03	0.03	--
7. Other Taxes and Duties on Commodities and Services (including Entertainment Tax)	1984-85	11.05	9.75	(-) 12
	1985-86	12.31	11.51	(-) 6
	1986-87	12.40	12.73	(+) 3
Total Tax Revenue	1984-85	410.62	416.78	(+) 1
	1985-86	454.49	491.85	(+) 8
	1986-87	544.27	569.67	(+) 5

SALES TAX

25. General

25.1 Total number of registered dealers.—

Under the Delhi Sales Tax Act, 1975, a dealer, who is a trader, is required to get himself registered and pay tax, if his gross turnover exceeds Rs. 1 lakh in a year. A dealer, who is a manufacturer, is required to do so, if his turnover exceeds Rs. 30,000 in a year. *Halwais* are required to get

themselves registered, if their turnover exceeds Rs. 75,000 in a year. The dealers are required to get themselves registered under the Central Sales Tax Act, 1956 also, if they engage themselves in inter-State sales or purchases for any amount. The number of registered dealers during the last three years ending 31st March 1987 is given below. The figures within brackets indicate the number of dealers who are registered under the Central Sales Tax Act, 1956.

	As on 31st March 1985	As on 31st March 1986	As on 31st March 1987
1. Total number of registered dealers.	88,180* (82,959)	89,179 (83,504)	96,030 (90,824)
2. (a) Number of dealers having turnover of Rs. 10 lakhs and more.	15,751 (15,095)	16,761 (15,813)	18,654 (17,802)
(b) Number of dealers having turnover exceeding Rs. 5 lakhs but below Rs. 10 lakhs.	12,259 (11,570)	15,792 (14,929)	17,221 (16,184)
(c) Number of dealers having turnover exceeding Rs. 1 lakh but below Rs. 5 lakhs.	33,508 (31,177)	33,523 (31,148)	35,001 (32,924)
(d) Number of dealers having turnover less than Rs. 1 lakh.	25,769 (24,330)	23,103 (21,614)	25,204 (23,914)

*Includes 893 (Local) and 787 (Central) dealers who were not classified for want of tax returns.

25.2 Assessments pending finalisation.—

The table below indicates the number of assessments due for completion during the years 1984-85, 1985-86 and 1986-87; the number of assessments completed during

those years and the number of assessments pending finalisation at the end of those years. It also shows the yearwise break up of outstanding assessments at the end of the years 1984-85, 1985-86 and 1986-87.

	1984-85		1985-86		1986-87	
	Local Dealers	Central Dealers	Local Dealers	Central Dealers	Local Dealers	Central Dealers
(a) Number of assessments due for completion during the year :						
Arrear cases	2,21,732	2,04,839	2,27,096	2,13,047	2,36,131	2,21,234
Current cases	86,545	80,172	88,588	83,390	94,708	88,999
(b) Number of assessments completed during the year :						
Arrear cases	74,208	67,941	74,434	70,399	71,656	67,241
Current cases	684	606	520	477	321	278
(c) Number of assessments pending finalisation at the end of the year :						
Arrear cases*	1,43,621	1,34,505	1,48,398	1,39,171	1,63,771	1,53,662
Current cases*	83,475	78,542	87,733	82,063	94,387	88,721
(d) Yearwise break-up of pending assessments :						
1980-81	22	22	--	--	--	--
1981-82	67,868	63,420	--	--	--	--
1982-83	75,731	71,063	69,241	64,892	--	--
1983-84	83,475	78,542	79,157	74,279	76,968	72,427
1984-85	--	--	87,733	82,063	86,803	81,235
1985-86	--	--	--	--	94,387	88,721
					<u>2,58,158</u>	<u>2,42,383</u>

*Position of pendency as per physical verification report after reconciling and adjusting all previous years' discrepancies.

The number of assessments completed in the month of March 1987 was 17,906 under Local Act and 17,077 under Central Act, which constituted 24.8 and 25.2 per cent, respectively, of the total number of assessments done during the year. Similarly, net demand raised during March 1987 was Rs. 6,233.81 lakhs and Rs. 913.44 lakhs under the Local and Central Acts respectively which constituted 74.15 and 56.46 per cent of the total net demand raised during the year.

26. Short-levy due to non-detection of false/invalid declarations or interpolations in the declarations

Under the Delhi Sales Tax Act, 1975, tax at prescribed rates is leviable on sales turnover of the dealers after allowing such deductions as are admissible under the Act. As per the Act and the rules framed thereunder, sales of goods made by one registered dealer to another registered dealer are to be allowed as a deduction from the turnover of the selling dealer, on his furnishing along with his returns, a complete list of such sales, duly supported by prescribed declarations in form ST-I obtained from the purchasing dealer. But, if the dealer conceals the particulars of his sales, penalty not exceeding two and a half times the amount of tax which would thereby have been avoided, is leviable, in addition to the tax payable, on the sales.

A cross verification in audit, with the assessment records of the purchasing dealers from whom the declarations were purported to have been obtained by these selling dealers revealed the following :-

26.1 A registered dealer in Delhi had claimed and was allowed exemption from levy of tax in respect of sales amounting to Rs. 8,49,160 on the ground that these sales had been made to other local registered dealers during the years 1980-81 and 1981-82. The exemption allowed was not correct as the sales were supported by declarations (in form ST-I) which were false as the concerned blank declaration forms had, in fact, been issued by the department to some other registered dealers and not to the alleged purchasing dealers. The irregular grant of exemption resulted in tax being realised short by Rs. 59,441. Besides, penalty not exceeding Rs. 1,48,602 was leviable on the dealer for furnishing incorrect particulars of sales.

On the short-levy being pointed out in audit (November 1986), the department reassessed (March 1987), the dealer *ex-parte*, on best judgement basis, and raised an additional demand for tax amounting to Rs. 59,441 and interest amounting to Rs. 61,486. Report on recovery of demand of tax and interest and imposition of penalty is awaited (November 1987).

26.2. While assessing a registered dealer in Delhi sales amounting to Rs. 13,36,163 made during the year 1982-83 were excluded from his taxable turnover. It was seen in audit that the declarations (in form ST-I) as furnished by him in support of the sales made to a certain purchasing dealer were false, owing to the fact that these declarations had actually been given by that purchasing dealer to some other dealers in respect of his purchases for Rs.2,96,317 made from those dealers and not from this dealer. The irregular exclusion of sales from the assessee's taxable turnover resulted in tax being levied short by Rs. 93,531. Besides, penalty not exceeding Rs.2,33,829 was leviable on the dealer for furnishing inaccurate particulars of sales.

On the irregularity being pointed out in audit (February 1986), the department reassessed (June 1987) the dealer and raised additional demand for tax amounting to Rs. 1,49,960. Report on recovery of the tax and levy of penalty is awaited (November 1987).

26.3 A registered dealer in Delhi had claimed and was allowed exemption from levy of tax in respect of sales amounting to Rs. 3,69,782 on the ground that these sales had been made to other local registered dealers during the year 1981-82. The exemption allowed was not correct as (a) sales amounting to Rs. 30,000 were supported by declarations which, in fact, had been given by the corresponding purchasing dealer in respect of purchases amounting to Rs. 300 only, and (b) the declarations in support of the remaining sales for Rs. 3,39,782 were false as (i) the declarations for Rs. 1,87,540 had been obtained from purchasing dealer who was not even registered with the department, (ii) the blank declaration forms in support of sales amounting to Rs. 63,402 were not issued to the alleged purchasing dealer by the department and (iii) the declarations in support of the sales for Rs. 88,840 had been issued by the alleged purchasing dealer in favour of certain other

registered dealers in respect of purchases for Rs. 2,365 only made from that dealer and not in favour of this selling dealer. The irregular grant of exemption resulted in tax amounting to Rs. 36,978 not being realised. In addition, penalty not exceeding Rs. 92,445 was also leviable on the dealer for furnishing inaccurate particulars.

On the irregularity being pointed out in audit (July 1986), the department revised (January 1987) the assessment and raised an additional demand for tax amounting to Rs. 36,948. Report on levy of penalty and recovery of additional tax is awaited (November 1987).

26.4 A registered dealer in Delhi had claimed and was allowed exemption from payment of tax on his sales amounting to Rs. 11,36,461 during the year 1980-81 although the declarations (ST-I) furnished by him in support of these had been issued by the buying dealers in favour of certain other registered dealers and not in favour of this assessee. The irregular grant of exemption resulted in tax being levied short by Rs. 1,13,646. Besides, penalty not exceeding Rs. 2,84,115 was also leviable on the dealer for furnishing incorrect particulars of sales to the assessing authority.

On the irregularity being pointed out in audit (June 1986), the department re-assessed (August 1987) the dealer and raised an additional demand for tax amounting to Rs. 1,13,646. Report on recovery of the demand and levy of penalty is awaited (November 1987).

26.5 Sales amounting to Rs. 10,00,000 made by a registered dealer during the year 1980-81 were excluded from his taxable turnover although the declarations (ST-I) furnished by the assessee were from a dealer (i) who was not even registered with the department and (ii) the blank declaration form had, in fact, been issued by the department to some other dealer. The irregular exclusion of sales from the taxable turnover resulted in short-levy of tax amounting to Rs. 70,000. Besides, penalty not exceeding Rs. 1,75,000 was leviable on the dealer.

On the irregularity being pointed out in audit (February 1986), the department raised (September 1987) demand for Rs. 70,000. Report on recovery of the

demand and levy of penalty is awaited (November 1987).

26.6 In the assessment year 1981-82, a registered dealer in Delhi claimed exemption from payment of tax on his sales amounting to Rs. 2,76,000 by furnishing a declaration (in form ST-I) from a purchasing dealer, which was accepted (March 1986) by the assessing authority. The exemption allowed was not correct as (i) the registration of the purchasing dealer had been cancelled in February 1982 while the declaration covered the sales made during March 1982 and (ii) the blank declaration form had not been issued to the alleged purchasing dealer by the department. The irregular grant of exemption resulted in short-levy of tax amounting to Rs. 19,320. Besides, penalty not exceeding Rs. 48,300 was leviable on the dealer for furnishing incorrect particulars.

On the irregularity being pointed out in audit (December 1986), the department re-assessed (August 1987) the dealer and raised an additional demand amounting to Rs. 38,640 (including penalty of Rs. 19,320).

26.7 Sales amounting to Rs. 2,95,583 made by a registered dealer in Delhi during the year 1981-82 were excluded from his taxable turnover although the declarations (ST-I) furnished by him in support of the sales made to other registered dealers had actually been issued by the alleged purchasing dealer in favour of certain other registered dealers and not in favour of this assessee. The irregular exclusion of sales from the assessee's taxable turnover resulted in tax being levied short by Rs. 11,823. Besides, penalty not exceeding Rs. 29,558 was also leviable on the dealer for furnishing inaccurate particulars.

On the irregularity being pointed out in audit (October 1986), the department stated (August 1987) that demand for Rs. 11,823 had since been raised against the dealer. Report on recovery of demand and levy of penalty is awaited (November 1987).

26.8 A registered dealer in Delhi had claimed and was allowed exemption from payment of tax on his sales amounting to Rs. 1,47,418 for the year 1981-82 although the declaration (ST-I) furnished by him in support of the sales made to another registered dealer (purchasing dealer) had actually

been issued by that purchasing dealer to another dealer in respect of his purchases worth Rs. 4,086 made from other dealers and not from this dealer. The irregular grant of exemption resulted in tax being levied short by Rs. 10,319. In addition, penalty not exceeding Rs. 25,797 was leviable on the dealer for furnishing incorrect declaration.

The omission was pointed out in audit to the department in March 1987; their reply has not been received (November 1987).

26.9. A registered dealer in Delhi had claimed exemption from levy of tax in respect of sales amounting to Rs. 5,50,352 by furnishing prescribed declarations (in form ST-I) from the purchasing dealers, which were accepted by the assessing authority. The exemption allowed was not correct as (i) the sales amounting to Rs. 2,36,102 were supported by declarations which had been issued by the concerned purchasing dealer in respect of purchases amounting to Rs. 1,20,240 only and (ii) the declarations in support of the remaining sales for Rs. 3,14,250 the declaration forms used had, in fact, been issued by the department to certain other dealers and not to the alleged purchasing dealer. The irregular grant of exemption in respect of sales amounting to Rs. 4,30,112 resulted in tax being levied short by Rs. 43,011. In addition, penalty not exceeding Rs. 1,07,527 was leviable on the dealer for furnishing inaccurate particulars of sales.

The short levy was pointed out to the department in April 1987; their reply has not been received (November 1987).

26.10. A registered dealer in Delhi claimed and was allowed exemption from payment of tax on his sales amounting to Rs. 3,54,050 for the year 1981-82 although the declarations (in form ST-I) furnished by him were on forms which had been issued by the concerned purchasing dealers in favour of certain other registered dealers in respect of their purchases for Rs. 12,410 made from those dealers and not from this assessee. The irregular grant of exemption resulted in tax being levied short by Rs. 35,405. In addition, penalty not exceeding Rs. 88,512 was leviable on the dealer for furnishing inaccurate particulars of sales.

The mistake was pointed out in audit to the department in January 1987; their reply has not been received (November 1987).

26.11. In the assessment year 1981-82, a registered dealer in Delhi claimed exemption from payment of tax on his sales amounting to Rs. 7,45,801 by furnishing two declarations (ST-I) received from a purchasing dealer, which were accepted (January 1987) by the assessing authority. Cross-checking of the declarations with the assessment records of the purchasing dealer (assessed in the same ward) showed that those were issued by the purchasing dealer in favour of certain other dealers in respect of his purchases for Rs. 57,574 made from those dealers and not from this assessee. The irregular grant of exemption resulted in tax being levied short by Rs. 52,206. In addition, penalty not exceeding Rs. 1,30,015 was leviable on the dealer for furnishing false declarations. It was further observed that the dealer had applied for cancellation of his registration from December 1984, and the same was accepted (November 1985) by the assessing authority although the dealer did not render the account of 20 blank declaration forms issued (May 1982) to him by the department nor did he return the forms to the department.

The omission was pointed out in audit to the department in December 1986. Their reply has not been received (November 1987).

26.12. A registered dealer in Delhi claimed and was allowed deductions amounting to Rs. 6,57,227 during the year 1980-81 on account of sales made to other local registered dealers. Out of this amount, a deduction of Rs. 2,36,521 was, however, irregularly allowed as (i) the declarations (ST-I) furnished by the dealer in support of sales for Rs. 2,22,850 were not valid (the declaration forms were old and obsolete) and (ii) sales amounting Rs. 13,671 were not supported by prescribed declarations (ST-I). The assessing authority's failure to properly check the returns and supporting documents resulted in tax being levied short by Rs. 23,652. Besides, penalty not exceeding Rs. 59,130 was also leviable on the dealer for furnishing inaccurate particulars.

On the failure being pointed out in audit (August 1985) the department reassessed (September 1985) the dealer and raised an additional demand of Rs. 23,652 and imposed (July 1987) penalty amounting to Rs. 55,000. Report on recovery is awaited (November 1987).

The above cases were reported to the Ministry of Home Affairs between July 1987 and September 1987; their reply has not been received (November 1987).

27. Short levy due to non-detection of suppression of sales

Under the Delhi Sales Tax Act, 1975 and the rules made thereunder, a registered dealer can purchase goods from another registered dealer without paying tax, if the goods are required by the purchasing dealer for re-sale within the Union Territory of Delhi or for use in manufacture in Delhi, of goods, sale of which is taxable in Delhi. For availing of the facility, the purchasing dealer is required to furnish to the seller a declaration in the prescribed form to the said effect. Under the Central Sales Tax Act, 1956, a registered dealer in one State can purchase goods from a registered dealer of another State at a concessional rate of tax by furnishing declarations in prescribed form 'C'. But if the dealer makes a false representation in regard to the goods or class of goods covered by his registration certificate or conceals the particulars of his sales or files inaccurate particulars of his sales, penalty not exceeding two and a half times the amount of tax, which would thereby have been avoided, is leviable, in addition to the tax payable on the sales. A cross verification with the assessment records of the selling dealer or other documents submitted by the purchasing dealer himself, revealed the following:--

27.1 A registered dealer in Delhi engaged in the business of re-sale and manufacture of furniture, had purchased, without payment of tax, steel almirahs valuing Rs. 24,14,275 from another registered dealer during the year 1980-81 but had accounted for purchases of finished goods amounting to Rs. 19,41,618 only in his account records. The short accountal of purchases amounting to Rs. 4,72,657 resulted in suppression of corresponding sales amounting to Rs. 4,96,290 (including estimated profit margin at 5 per cent). The suppression of sales was not detected by the assessing authority. This resulted in tax being levied short by Rs. 49,629. Further, penalty not exceeding Rs. 1,24,072 was also leviable on the dealer for furnishing inaccurate particulars.

On this being pointed out in audit (September 1985) the department stated (July 1987) that an additional demand for

Rs. 92,182 (including interest of Rs. 44,916) had been raised against the dealer. Report on recovery of additional demand and levy of penalty is awaited (November 1987).

27.2 A registered dealer in Delhi had purchased without payment of tax, goods valuing Rs. 14,41,183 and Rs. 8,55,957 during the years 1980-81 and 1981-82 respectively from other registered dealers by furnishing the prescribed declarations (ST-I) under the local Act, as per utilisation account in respect of declaration forms issued to him. The same dealer had also purchased, at a concessional rate of tax, goods valuing Rs. 8,311 and Rs. 23,460 during the years 1980-81 and 1981-82 respectively by furnishing the prescribed declarations (Form 'C') under the Central Sales Tax Act. He, however, accounted for purchases amounting to Rs. 6,98,586 in 1980-81 and Rs. 8,41,755 in 1981-82. The short accountal of purchases amounting to Rs. 7,88,570 (Rs. 7,50,908 in 1980-81 and Rs. 37,662 in 1981-82) resulted in suppression of corresponding sales amounting to Rs. 8,27,998 (including estimated profit margin at 5 per cent). The suppression of sales was not detected by the assessing authority resulting in tax being levied short by Rs. 57,960. Further, penalty not exceeding Rs. 1,44,900 was leviable on the dealer for furnishing inaccurate particulars.

On the omission being pointed out in audit (December 1986) the department revised (July 1987) the assessment and raised an additional demand of tax amounting to Rs. 57,960 and penalty amounting to Rs. 1,44,890. Report on recovery is awaited (November 1987).

27.3 A registered dealer in Delhi engaged in the business of iron and steel had purchased, without payment of tax, goods valuing Rs. 73,04,851 from other registered dealers during the year 1981-82 by furnishing prescribed declarations (ST-I) as verified with reference to utilisation account in respect of declaration forms issued to him but accounted for purchases amounting to Rs. 47,96,460 only in his account records. The short accountal of purchases amounting to Rs. 25,08,391 resulted in suppression of corresponding sales amounting to Rs. 25,33,475 (including 1 per cent profit margin). The suppression of sales was not detected by the assessing authority. The failure resulted in tax being levied short by Rs. 1,01,339. Further, penalty not exceeding Rs. 2,53,347 was leviable on the dealer for furnishing inaccurate particulars.

On the failures being pointed out in audit (April 1987) the department revised (July 1987) the assessment and raised an additional demand of tax amounting to Rs. 1,01,339 and imposed penalty amounting to Rs. 2,53,347. Report on recovery is awaited (November 1987).

27.4 A registered dealer in Delhi had purchased, without payment of tax, goods valuing Rs. 2,34,013 from another registered dealer during the year 1980-81 by furnishing a prescribed declaration (ST-I), as seen in audit from the assessment records of the selling dealer. He had, however, accounted for purchases amounting to Rs. 766 only in his account records against that declaration.

100 blank declaration forms had been issued by the department to this dealer (between May 1980 and March 1981) but he had not furnished the utilisation account of these forms, while the short accountal of purchases against aforesaid one form only amounted to Rs. 2,33,247; this resulted in suppression of corresponding sales amounting to Rs. 2,56,572 (including estimated profit margin at 10 per cent). The suppression of sales was not detected by the assessing authority, resulting in tax being levied short by Rs. 25,657.

On the failure being pointed out in Audit (May 1985) the Department re-opened the assessment and re-assessed the dealer *ex parte* on the assumed turnover of Rs. 330 lakhs on the basis of average purchases of Rs. 3 lakhs on each of the 100 declaration forms issued to him and raised a total demand of Rs. 33 lakhs.

Report on recovery of demand and imposition of penalty are awaited (November 1987).

27.5 A registered dealer in Delhi had purchased, without payment of tax, goods valuing Rs. 2,20,151 from another registered dealer during the year 1981-82 by furnishing five prescribed declarations (ST-I), as seen in audit from the assessment records of the selling dealer, but he had accounted for purchases amounting to Rs. 29,991 only in his account records against those declarations. The short accountal of purchases amounting to Rs. 1,90,160 resulted in suppression of corresponding sales amounting to Rs. 2,09,176 (including profit margin at 10 per cent). The suppression of sales was not detected by the assessing authority and as a result, tax was levied short by

Rs. 14,642. Further, penalty not exceeding Rs. 36,605 was leviable on the dealer for furnishing inaccurate particulars.

On this being pointed out in audit (March 1986), the department re-assessed (July 1987) the dealer and raised an additional demand for Rs. 15,344. Report on recovery of demand and imposition of penalty is awaited (November 1987).

27.6 A registered dealer in Delhi had purchased without payment of tax, goods valuing Rs. 9,79,360 from other registered dealers during the year 1981-82 by furnishing prescribed declarations (ST-I), but accounted for purchases amounting to Rs. 6,46,358 only in his account records. The short accountal of purchases amounting to Rs. 3,33,002 resulted in suppression of corresponding sales amounting to Rs. 3,49,652 (including 5 per cent profit margin). The suppression of sales was not detected by the assessing authority. The failure resulted in tax being levied short by Rs. 13,986. Further, penalty not exceeding Rs. 34,965 was leviable on the dealer for furnishing inaccurate particulars.

On this being pointed out in audit (December 1986), the department re-assessed (September 1987) the dealer and raised an additional demand of Rs. 13,986 and imposed penalty amounting to Rs. 34,965. Report on recovery is awaited (November 1987).

27.7 A registered dealer in Delhi had purchased, without payment of tax, goods valuing Rs. 7,78,870 from other registered dealers during the year 1980-81 by furnishing prescribed declarations (ST-I), but accounted for purchases amounting to Rs. 6,73,375 only in his account records. The short accountal of purchases amounting to Rs. 1,05,495 resulted in suppression of corresponding sales amounting to Rs. 1,18,154 (including 12 per cent profit margin). The suppression of sales was not detected by the assessing authority. The failure resulted in tax being levied short by Rs. 11,815. Further, penalty not exceeding Rs. 29,537 was leviable on the dealer for furnishing inaccurate particulars.

On the failure being pointed out in audit (February 1986), the department raised (September 1987) demand for Rs. 11,815. Report on recovery of the demand and levy of penalty is awaited (November 1987).

27.8 A registered dealer had purchased, without payment of tax, goods valuing

Rs. 7,14,382 from another registered dealer during the year 1980-81 by furnishing ten prescribed declarations (ST-I), as seen in audit from the assessment records of the selling dealer, but he had accounted for purchases amounting to Rs. 84,573 only in his account records. The short account of purchases amounting to Rs. 6,29,809 resulted in suppression of corresponding sales amounting to Rs. 6,45,554 (including profit margin at 2.5 per cent). The suppression of sales was not detected by the assessing authority and, as a result, tax was levied short by Rs. 64,555. Further, penalty not exceeding Rs. 1,61,387 was leviable on the dealer for furnishing inaccurate particulars.

On the omission being pointed out in audit (April, 1986), the department stated (January 1987) that action for re-assessment was being taken. Further progress is awaited (November 1987).

27.9 A registered dealer in Delhi had purchased, without payment of tax, goods valuing Rs. 11,69,616 from other registered dealers during the year 1980-81 by furnishing prescribed declarations, but accounted for purchases amounting to Rs. 10,59,652 only in his account records. The short account of purchases amounting to Rs. 1,09,964 resulted in suppression of corresponding sales amounting to Rs. 1,20,960 (including 10 per cent profit margin). The suppression of sales was not detected by the assessing authority. The failure resulted in tax being levied short by Rs. 12,096. Further, penalty not exceeding Rs. 30,240 was leviable on the dealer for furnishing inaccurate particulars.

On this being pointed out in audit (June 1986), the department re-assessed (September 1987) the dealer and raised an additional demand of Rs. 12,096. Report on recovery of the demand and levy of penalty is awaited (November 1987).

27.10 A registered dealer in Delhi purchased, without payment of tax, goods valuing Rs. 3,00,075 from another registered dealer during the year 1982-83 by furnishing two prescribed declarations (ST-I), as seen in audit from the assessment records of the selling dealer. However, he accounted for purchases amounting to Rs. 2,375 only against those declarations in his account record for that year. The short account of purchases amounting to Rs. 2,97,700 resulted in suppression of corresponding sales amounting to Rs. 3,12,585 (assuming a profit

margin of 5 per cent). The suppression of sales was not detected by the assessing authority and, as a result, tax was levied short by Rs. 21,881. Further, penalty not exceeding Rs. 54,702 was leviable on the dealer for furnishing inaccurate particulars.

On the omission being pointed out in audit (July 1986), the department re-assessed (September 1987) the dealer and raised additional demand of tax amounting to Rs. 21,015. Report on recovery of demand raised and levy of penalty is awaited (November 1987).

27.11 During the period from 1st February 1978 to 9th November 1981, control over issue of blank declaration forms (ST-I) by the department to the purchasing dealers was relaxed and an account of the forms utilised during the quarter was only required to be rendered with the quarterly returns to be submitted by the dealers. With effect from 10th November 1981, fresh declaration forms were to be issued only after the dealer had rendered a complete account of the declaration forms issued to him earlier. The Central Sales Tax (Delhi) Rules, 1957 envisaged from the beginning that fresh declaration forms 'C' were to be issued to a dealer only after he had rendered an account of such forms issued to him on earlier occasion.

27.11.1 In assessing a dealer for the years 1978-79 and 1979-80, the assessing authority determined his turnover at 'NIL' for both the years. As seen in audit from the assessment record of another selling dealer, the dealer had, in fact, purchased without payment of tax, goods valuing Rs. 1,07,740 and Rs. 86,831 during the years 1978-79 and 1979-80 respectively from this selling dealer alone by furnishing two declarations (one in each year). 56 blank declaration forms had been issued (20 in October 1978 and 36 in May 1979) by the department, to this dealer but he had not furnished the utilisation account of these forms with the quarterly returns. Even if it is assumed that the dealer had not made any other purchases against the remaining 54 declaration forms, his turnover during the years could not be less than Rs. 1,94,571 (excluding the estimated profit margin in the absence of his trading account). The concealment, which could not be detected by the assessing authority, resulted in tax being levied short by a minimum amount of Rs. 19,457. Further, penalty not exceeding Rs. 48,642 was leviable on the dealer for suppression of sales.

On the short-levy being pointed out in audit (December 1984) the department re-assessed (November 1986) the dealer *ex parte* on best judgement basis and raised a demand for Rs. 2,52,000 (Rs. 82,000 for the year 1978-79 and Rs. 1,70,000 for the year 1979-80 including penalty of Rs. 5,000 for each year). Report on recovery is awaited (November 1987).

27.11.2 The turnover of a registered dealer in Delhi, who did not submit the prescribed quarterly returns for the years 1978-79 and 1979-80 (except for the second quarter of the year 1978-79) was determined by the assessing authority at 'NIL' and Rs. 25,000 for the years 1978-79 and 1979-80 respectively *ex parte* on best judgement basis. As verified in audit with reference to the records of another selling dealer, the dealer had purchased goods valuing Rs. 10,68,568 and Rs. 5,10,804 during the years 1978-79 and 1979-80 respectively from this selling dealer alone by furnishing three prescribed declarations (two in 1978-79 and one in 1979-80). 87 blank declaration forms had been issued (between May 1978 and May 1979), by the department to this dealer but he had not furnished the utilisation account of these forms. Even if it is assumed that the dealer had not made any purchases against the remaining 84 declaration forms, the aggregate of his turnover during the years could not be less than Rs. 15,79,372 (excluding the estimated profit margin in the absence of his trading account). This amount was more than the turnover assessed (Rs. 25,000 for 1979-80) by the assessing authority by Rs. 15,54,372. The incorrect determination of the dealer's turnover, thus resulted in a minimum under assessment of tax of Rs. 1,55,437. Penalty not exceeding Rs. 3,88,592 was also leviable on the dealer for suppression of this element of sales.

On the short-levy being pointed out in audit (December 1984) the department re-assessed (October 1986) the dealer and raised additional demands for Rs. 1,55,437. Report on levy of penalty and recovery of demands is awaited; Action taken regarding account of the remaining 84 declaration forms is also awaited (November 1987).

27.11.3 A registered dealer of Delhi had been issued by the department, 75 blank declaration forms (70 'ST-I' forms and 5 'F' forms) between 20th December 1980 and 24th January 1981. He had submitted utilisation account for 10 forms only claiming to have purchased goods valuing

Rs. 17,966. In assessing the dealer for the year 1980-81, the assessing authority determined (January 1985) his turnover at Rs. 80,00,000 *ex parte* on best judgement basis. The dealer had, in fact, purchased, without payment of tax, goods valuing Rs. 1,04,51,557 from three other registered dealers by furnishing 13 of the declarations (ST-I); this included four declarations for which accounts were rendered by him for an aggregate of Rs. 7,560 only (included in the total of Rs. 17,966) against actual purchases of Rs. 23,26,524 against these declarations. Against the remaining 6 declarations for which accounts were rendered, purchases to the extent of Rs. 10,406 were only indicated by him in his account records. Even ignoring the purchases, if any, made by the dealer against the remaining 51 declaration forms (ST-I) and transfer of goods from head office, if any, against the 5 'F' forms for which no accounts were rendered, his sale turnover for that year would be at least Rs. 1,15,08,159 (including an estimated profit margin at 10 per cent). This was more than the turnover assessed (Rs. 80,00,000) by the assessing authority by Rs. 35,08,159. The incorrect determination of the dealer's turnover thus resulted in under assessment of tax amounting to Rs. 2,45,572. Penalty not exceeding Rs. 6,13,930 was also leviable on the dealer for suppression of sales.

On the short levy being pointed out in audit (September 1985) the department re-assessed (December 1986) the dealer *ex parte* on best judgement basis estimating the turnover in respect of all the 70 ST-I forms and 5 'F' forms at Rs. 7,04,20,000 and raised an additional demand for tax amounting to Rs. 43,68,000. Report on recovery of the demand and levy of penalty is awaited (November 1987).

27.11.4 While determining the turnover of a registered dealer for the year 1980-81 at Rs. 4,99,137 (December 1984), the assessing authority enhanced the sales, as returned by the assessee, by Rs. 20,000 on the ground of non-production of books of accounts. As verified in audit with reference to the records of a selling dealer, this dealer had purchased goods valuing Rs. 25,91,296 from this selling dealer, without payment of tax, by furnishing two prescribed declaration (ST-I). The department could not indicate the date of issue of those forms nor could it intimate the number of such other forms issued to the dealer over and above these

two forms, but stated that 55 blank declaration forms (which did not include the two declaration forms mentioned above) were issued to the dealer between January 1980 and June 1981. Another set of 40 blank declaration forms (ST-I) were issued to the dealer on 16th October 1982 in spite of the fact that he had not furnished, along with his quarterly returns, the account of the forms issued to him on earlier occasion.

Even if it is assumed that the dealer had not made any purchases against any other declaration form, his turnover during the year could not be less than Rs. 25,91,296 (excluding estimated profit margin in the absence of the trading account). This was considerably more than the assessed turnover by Rs. 20,92,159. The incorrect determination of the dealer's turnover thus resulted in under-assessment of tax amounting to Rs. 83,686. Penalty not exceeding Rs. 2,09,215 was also leviable on the dealer for suppression of sales.

On the short levy being pointed out in audit (August 1985), the department re-assessed (July 1987) the dealer's turnover at Rs. 30,41,872 and raised a demand of Rs. 4,84,901 (including penalty of Rs. 2,63,220 and interest of Rs. 1,16,393). The reply of the Department was silent with regard to the utilisation account of the remaining forms (ST-I). Report on recovery is awaited (November 1987).

The above cases were reported to the Ministry of Home Affairs between July and September 1987; their reply has not been received (November 1987).

28. Short levy due to irregular grant of exemption from tax

Under the Delhi Sales Tax Act, 1975 and the rules framed thereunder, sales of goods made by one registered dealer to another registered dealer are to be allowed as a deduction from the turnover of the selling dealer, on his furnishing along with his returns a complete list of such sales, duly supported by prescribed declarations in form 'ST-I' obtained from the purchasing dealer.

With effect from 10th November 1982 no single declaration form (ST-I) shall cover more than one transaction of sale except in cases where the total amount of sales made in a year covered by one declaration is equal to or less than Rs. 30,000.

28.1 While assessing a registered dealer in Delhi sales amounting to Rs. 5,84,276 made during the year 1980-81 were excluded

from his gross turnover on the basis of five declarations (ST-I) issued to this dealer by the purchasing dealers between March and June 1982. It was, however, observed that more than one transaction were included in each of the five declarations and the total of such transactions covered by a single declaration exceeded Rs. 30,000. The aggregate of the amounts in excess of the monetary limit would work out to Rs. 3,97,896. The irregular exclusion of sales of Rs. 3,97,896 involved a tax of Rs. 15,916.

On the mistake being pointed out in audit (October 1985) the department re-assessed (September 1986) the dealer and raised an additional demand for Rs. 15,916. Report on recovery is awaited (November 1987).

28.2. Sales amounting to Rs. 1,97,459 made by a registered dealer in Delhi during the year 1981-82, were claimed as deduction from his sales turnover on the basis of four declarations (ST-I) issued by the purchasing dealers after November 1981. It was noticed that (i) two declarations furnished by the dealer in support of sales for Rs. 5,252 were not valid (the declarations were old and obsolete) and (ii) more than one transaction was included in the two other declarations furnished in support of the remaining sales of Rs. 1,92,207 and the aggregate of such transactions covered by each declaration in excess of the monetary limit of Rs. 30,000 worked out to Rs. 1,38,097. The irregular exclusion of sales of Rs. 1,43,349 from the assessee's turnover involved a tax effect of Rs. 10,034.

On the mistake being pointed out in audit (December 1986) the department re-assessed (September 1987) the dealer and raised an additional demand for Rs. 10,034. Report on recovery is awaited (November 1987).

28.3 Under the provisions of the Delhi Sales Tax Act, 1975, a registered dealer can purchase goods from another registered dealer, without payment of tax, if the goods are intended for use as raw material in the manufacture, in Delhi, of goods, sale of which is taxable in Delhi. This facility is allowed if the purchasing dealer furnishes to the seller a declaration in the prescribed form to the said effect and also indicates that the goods are covered by his certificate of registration. In November 1979, the High Court of Delhi had held [Commissioner of Sales Tax, New Delhi vs Standard Match Industries (1980) (45-STC-229)] that calcium carbide, oxygen gas, electrodes and acetylene gases used for welding were not

materials that went into the manufacture of any finished product and could not, therefore, be included in the certificate of registration as raw materials for manufacture. The Commissioner of Sales Tax also clarified in July 1979 that goods, which did not go into the manufacture of finished products of manufacture, could not be purchased without payment of tax and that such items should be deleted from the registration certificate of the dealers.

28.3.1. During the years 1979-80 to 1982-83 a registered dealer in Delhi, engaged in the business of spun pipe etc., had purchased from other registered dealers lubricants and welding electrodes valuing Rs. 1,92,552 and declared that the goods purchased were covered by his registration certificate. While making the assessment in August 1984, the assessing authority failed to disallow the dealer's claim and delete the items from his registration certificate in the light of the aforesaid judicial pronouncement and the departmental clarification. The failure resulted in non-realisation of tax amounting to Rs. 13,479.

This omission was brought to the notice of the department in February 1986, their reply has not been received (November 1987).

28.3.2. A registered dealer in Delhi had purchased welding electrodes valuing Rs. 2,19,641 and Rs. 8,95,219 during the years 1981-82 and 1982-83 respectively, without payment of tax on the ground that these were covered by his registration certificate. While making the assessment in November 1984, the assessing authority failed to disallow the dealer's claim and delete the item from his registration certificate in the light of the aforesaid judicial pronouncement and the departmental clarification. The failure resulted in non-realisation of tax amounting to Rs. 78,040.

On this being pointed out in audit (July 1986), the department re-assessed (August 1987) the dealer and raised a demand for Rs. 78,048. Report on recovery is awaited (November 1987).

The above cases were reported to the Ministry of Home Affairs between July 1987 and September 1987; their reply has not been received (November 1987).

29. Non-levy of interest

Under the Delhi Sales Tax Act, 1975 and the rules made thereunder, every registered

dealer is required to furnish a quarterly return of sales in the prescribed form and before the date prescribed for submission of such return, pay into appropriate Government Treasury, the tax due and payable according to such return. If any dealer fails to pay the tax due, he shall, in addition to the tax due, be liable to pay simple interest on the amount so due, at one per cent per month (from the date immediately following the last date for the submission of the return) for a period of one month, and at one and a half per cent per month thereafter, so long as he continues to make default in such payment or till the date of completion of the assessment, whichever is earlier.

A registered dealer in Delhi who was running a restaurant, failed to deposit into the Government Treasury, the amounts of tax due and payable before the submission of returns of sales for the second, third and fourth quarter of the year 1980-81. While finalising his assessment (February 1985) for this year, the assessing authority did not take any action to levy interest for non-payment of tax. The omission resulted in non-realisation of interest amounting to Rs. 59,235.

On the mistake being pointed out in audit (October 1985), the department stated (June 1987) that the dealer was directed (March 1987) to pay a sum of Rs. 59,235 towards interest. Report on recovery is awaited (November 1987).

The above case was reported to the Ministry of Home Affairs in July 1987; their reply has not been received (November 1987).

30. Dealing in goods not covered by certificate of registration

Under Section 50 (d) of the Delhi Sales Tax Act, 1975, whoever, being a registered dealer, represents, when purchasing any goods or class of goods not covered by his certificate of registration, that such goods or class of goods are covered by such certificate, shall be punishable with rigorous imprisonment for a term which may extend to six months or with fine, or with both, and where the offence is a continuing one, with a daily fine not exceeding two hundred rupees during the period of the continuance of the offence. Under section 56(3) of the Act in such cases, the authority which granted the certificate of registration may,

after giving the dealer a reasonable opportunity of being heard, impose upon him a penalty not exceeding two and a half times the amount of tax, which would have been levied under the Act in respect of the sale of goods to him, if the offence had not been committed.

30.1. During the year 1980-81, a registered dealer in Delhi had purchased from other registered dealers, goods valuing Rs. 2,62,247 without payment of tax, by misrepresenting that the goods purchased were covered by his registration certificate. The assessing authority, while finalising the assessment in September 1984, failed to detect the misrepresentation and to initiate prosecution proceedings or to impose penalty on the dealer. Besides, the dealer did not furnish utilisation account of 141 declaration forms (101 ST-I and 40 'C' forms) issued by the department during September 1979 to March 1981. Even if it is assumed that the dealer had not made any purchases against those declaration forms, of goods, which were not covered by his registration certificate a penalty not exceeding Rs. 45,893 could be levied for the aforesaid misrepresentation involving goods valuing Rs. 2,62,247.

On this being pointed out in audit (May 1986), the department determined (September 1987) the quantum of purchases made by the dealer by misrepresentation at Rs. 16,37,247 *ex parte* on best judgment basis and raised an additional demand of tax for Rs. 1,55,642 (Rs. 1,14,607 under the Local Act and Rs. 41,035 under the Central Act) but did not levy any penalty. Report on recovery of the demand is awaited. The reply of department was also silent regarding the utilisation of the declaration forms for which the dealer had still not rendered account (November, 1987).

30.2. A registered dealer in Delhi engaged in the business of re-sale of rubber foam and its products purchased, without payment of tax, chemicals valuing Rs. 1,56,632 and Rs. 2,39,089 during the years 1980-81 and 1981-82 respectively by misrepresenting that these goods were covered by his registration certificate resulting in loss of revenue of Rs. 27,700. The assessing authority failed to notice the misrepresentation and consequently, no prosecution proceedings were launched against the dealer for this misrepresentation, nor did the assessing authority alternately impose any penalty on him for compounding the offence. Penalty

up to Rs. 69,250 was leviable for this misrepresentation.

This was brought to the notice of the department in March 1987; their reply has not been received (November 1987).

30.3. A registered dealer in Delhi engaged in the business of photo offset printing had purchased from other registered dealers chemicals valuing Rs. 74,924 and Rs. 1,38,059 during the years 1980-81 and 1981-82 respectively, by misrepresenting that the goods purchased were covered by his registration certificate and did not pay tax amounting to Rs. 15,654 (Rs. 5,507 and Rs. 10,147 during 1980-81 and 1981-82 respectively). The assessing authority failed to notice the misrepresentation and consequently no prosecution proceedings were launched against the dealer for this misrepresentation, nor did the assessing authority impose any penalty on him for compounding the offence, while making assessments (in July 1984 and February 1985). Penalty up to Rs. 39,135 (Rs. 13,767 for the year 1980-81 and Rs. 25,368 for the year 1981-82) could be levied for this misrepresentation.

The same dealer had also been allowed deductions amounting to Rs. 1,60,560 and Rs. 2,18,594 during the years 1980-81 and 1981-82 respectively, treating these as sales supported by declarations (in form ST-I) received from the purchasing dealers. The deductions allowed were not correct as the amounts represented payments received by the assessee for job work (printing) done and which were excluded from his gross turnover on which the dealer had also claimed and had accordingly been allowed exemption from payment of tax. The irregular grant of deductions resulted in tax being levied short by Rs. 26,611. Further, penalty not exceeding Rs. 66,527 was leviable on the dealer for furnishing inaccurate particulars.

On the failure being pointed out in audit (June 1986), the department re-assessed (September 1987) the dealer and raised additional demand of tax amounting to Rs. 42,265 (including Rs. 15,654 on account of tax on purchases made by misrepresentation) and imposed penalty amounting to Rs. 34,569 for misrepresentation. Report on recovery of demands raised and levy of penalty (for furnishing of inaccurate particulars) is awaited (November 1987).

30.4. A dealer in Delhi, engaged in the business of cement products, light and heavy

chemicals, etc., was granted registration under the Local Act, with liability and validity with retrospective effect from 25th July 1975, under an order passed on 20th November 1975. In the registration certificate, the item 'iron and steel' was allowed for resale purpose upto 31st October 1975 the date upto which the item was taxable at the last point. The incidents of tax on the item 'iron and steel', however, shifted again from first point to last point of taxation with effect from 29th September 1976, but the dealer did not apply for inclusion of the item in his registration certificate from that date or from any subsequent date.

It was noticed in audit that during the year 1980-81, the dealer had purchased from other registered dealers, "iron and steel" valuing Rs. 54,91,970, without payment of tax, by misrepresenting that the goods purchased were covered by his registration certificate and thereby had avoided payment of tax of Rs. 2,19,269. While computing the assessment in January 1985, the assessing authority failed to detect the misrepresentation and consequently did not initiate any prosecution proceedings or impose any penalty on the dealer. Penalty upto Rs. 5,49,197 was liable to be levied for this misrepresentation.

On the failure being pointed out in audit (December 1985), the department stated (August 1986) that the resale of the item "iron and steel" was restricted upto 31st October 1975 in the registration certificate of the dealer due to a bona fide mistake on the part of the then assessing authority. It was pointed out that the contention is not tenable as the then assessing authority, while passing orders on 20th November 1975, restricted the operation of the registration certificate in regard to "iron and steel" only upto 31st October 1975, keeping in view the changed incidents of levy of tax on that item on the date of passing orders. Further developments are awaited (November 1987).

30.5. A registered dealer engaged in the business of manufacture and sale of PVC footwears was allowed to purchase "PVC compound" for the purpose of manufacture only. He had, however, sold PVC compound worth Rs. 5,08,310 during the year 1981-82 and claimed exemption from payment of tax on the sale by misrepresenting that the sale of these goods were covered by his registration certificate. While completing the assessment in August 1985, the assessing

authority failed to detect the misrepresentation and consequently did not initiate any prosecution proceedings or impose any penalty on the dealer. Penalty upto Rs. 88,954 could be levied on the dealer for this misrepresentation.

On the omission being pointed out in audit (June 1986) the department re-assessed (July 1987) the dealer and raised a demand for Rs. 1,58,744 (including interest of Rs. 34,208 and penalty of Rs. 88,954). Report on recovery is awaited (November 1987).

The above cases were reported to the Ministry of Home Affairs in July & September 1987, their reply has not been received (November 1987).

31. Short levy of tax due to incorrect allowance of concessional rate of tax

Under Section 8 of the Central Sales Tax Act, 1956 a dealer who, in the course of inter-State trade or commerce, sells any goods to a Government department or a registered dealer, shall be liable to pay tax at a concessional rate of 4 per cent subject to his furnishing a declaration in the prescribed form. The Ministry of Finance had clarified in January 1959 that for the purpose of Central Sales Tax Act, the term "Government" excludes local bodies, municipalities, notified areas committees, Government undertakings or other statutory bodies or corporations even if they are set up under statutes and are financed wholly or partly by Government. The term "Government" also excludes private and public limited companies wholly or partly owned by the Central or State Governments.

On inter-State sales amounting to Rs. 4,42,212 made by a registered dealer in Delhi to four Government Undertakings during the year 1979-80, tax was levied at the concessional rate of 4 per cent on the basis of declarations (in form D) issued by the Government Undertakings. However, as per the aforesaid notification issued on 12th January 1959, the Government Undertakings were not departments of Government. As a result, tax was realised short by Rs. 26,533.

On the short levy being pointed out in audit (January 1985), the department stated (October 1986) that an amount of Rs. 26,533 had since been recovered from the undertaking.

The case was reported to the Ministry of Home Affairs in July 1987, their reply has not been received (November 1987).

32. Short-levy due to mistake in computation of tax

In assessing a dealer for the year 1981-82 (March 1986) the assessing authority determined his taxable turnover for the first quarter at Rs. 14,35,290. However, the amount of tax on the sale at 10 per cent was worked out to Rs. 14,353 instead of Rs. 1,43,528 resulting in short levy of tax amounting to Rs. 1,29,176.

On the mistake being pointed out in audit (May 1986), the department re-assessed (July 1987) the dealer and raised an additional demand for Rs. 1,29,176. Report on recovery is awaited (November 1987).

The case was reported to the Ministry of Home Affairs (July 1987); their reply has not been received (November 1987).

STATE EXCISE

33. 'Loss of excise revenue' due to incorrect endorsement on L-5 licence

Under the Delhi Liquor Licence Rules, 1976, a proprietor of a hotel or a restaurant is required to obtain from the Commissioner of Excise, a L-5 licence for serving foreign liquor in a bar attached to a hotel or restaurant on payment of the prescribed licence fee. Only one restaurant can be attached on a L-5 endorsement. Prescribed licence fee is payable per bar endorsement.

It was, however, observed in audit that while renewing the L-5 licence of a hotel for the years 1980-81 to 1984-85, the department had wrongly allowed attachment of three restaurants on an endorsement even though licence fee was paid for only one bar. The department rectified (April 1985) this mistake by issuing an order deleting two of the restaurants from the endorsement. The irregular inclusion of two additional restaurants in one endorsement instead of making a separate endorsement for each restaurant resulted in a loss of revenue amounting to Rs. 3.5 lakhs (for the period April 1980 to March 1985) and no recovery was made from the hotel.

On this being pointed out in audit (April 1985), the department stated (October 1985) that since the service of liquor in three restaurants was allowed on the L-5 endorsement by the Excise Department through oversight, it would go against the law of natural justice to penalise the hotel for no fault of theirs.

The case was reported to the Ministry of Home Affairs in October 1987; their reply has not been received (November 1987).

34. Incorrect fixation of wholesale prices of Indian made foreign liquor

The Delhi Liquor Licence Rules, 1976 empower the Commissioner to fix the price or the maximum price of any liquor in wholesale or in retail or in both, with the prior approval of the Lieutenant Governor. The

difference between the price arrived at after deducting the element of sales tax and retailer's profit from the retail price AND the sum of the wholesale price, special duty and assessed fee is excise revenue.

The wholesale price of various brands of whisky marketed by certain L-1 licensees during the years 1983-84 and 1984-85 was fixed by the Commissioner on the basis of cost-data furnished by them. It was noticed in audit (between April, 1985 and January 1987) that the licensees were in receipt of a special sales promotion rebate/discount from the distillery which they did not deduct in arriving at the wholesale price. This resulted in a higher fixation of wholesale price which led to an unintended benefit of Rs. 40.17 lakhs to the licensees on the sale of liquor during 1983-84 and 1984-85 which otherwise was payable to Government as excise revenue.

The above cases were pointed out to the department between April 1985 and July 1987; their replies have not been received (November 1987).

In another case the wholesale price of a certain brand of whisky marketed by a dealer was fixed at Rs. 12.59 per quart from 1st May, 1984. However, in the consolidated price lists issued for the years 1984-85 and 1985-86, the price of the said brand of whisky was shown as Rs. 13.20 per quart against the approved price of Rs. 12.59. The licensee had also actually marketed the whisky at Rs. 13.20 per quart. This resulted in the loss of excise revenue amounting to Rs. 1.86 lakhs on the sale of 3,06,816 quarts, during the period from 1st April 1985 to 31st December 1986.

The irregularity was pointed out to the department in January 1987; their reply has not been received (November 1987).

The above cases were brought to the notice of Ministry of Home Affairs during August and September 1987; their reply has not been received (November 1987).

MOTOR VEHICLES TAX

35. National/Zonal permit Schemes--Non-accountal of demand drafts

valued at Rs. 58.63 lakhs was only available.

35.1 Introduction

Under the National and Zonal permit schemes regulating inter-State vehicular traffic, the Transport Authorities in the States and the Union Territories are authorised to issue composite permits enabling their holders to ply their vehicles in any of the States mentioned in the permits. The fees payable to the home State, as also to other States, are initially collected by the State Transport Authority of the home State by means of crossed demand drafts and thereafter, transmitted to the Transport Authority of the concerned State in which the vehicles are permitted to ply. According to the financial rules, all cheques/bank drafts received in Government Offices/departments towards Government dues should immediately, on their receipt, be entered in a Register of Valuables before crediting them into the Government account. Drafts concerning other States were required to be transmitted to those States.

35.2 Scope of Audit

The records relating to National/Zonal Permits Schemes for 1985-86 were test checked in Audit during January to April 1987 in the Directorate of Transport, Delhi Administration Delhi.

35.3 Organisational set up

The Director of Transport is the *ex-officio* Special Secretary (Transport) and Chairman of the Transport Authority of the Delhi Region. The State Transport Authority is a quasi-judicial body. It has four official and three non-official members.

35.4 High lights

- (i) Non-maintenance of the statutory records-viz., Register of Valuables and non-receipts of prescribed returns from other States.
- (ii) As against 33,000 bank drafts valuing approximately Rs. one crore, received during 1985-86, the department stated (October 1987) that information regarding accountal of 17,152 drafts

(iii) Non-remittance of 425 bank drafts received during 1982-83 to 1984-85 and valued at Rs. 1.39 lakhs into bank.

(iv) Non-accountal of bank drafts valuing Rs. 22.35 lakhs received as security deposits.

35.5 The STA, Delhi did not maintain the Register of Valuables indicating the details of drafts received and their eventual disposal. As a result, it could not be verified in audit, whether all the drafts relating to the permits were duly credited to the Government account or transmitted to the concerned States, as the case may be.

35.6 Mention was made in Para 3.16 of the Audit Report for the year 1982-83 about the absence of prescribed returns from other concerned States and non-maintenance of a Demand and Collection Register to keep track of revenue due to the Delhi Administration in the form of fees in respect of vehicles allowed to ply in Delhi on permits issued by State Transport Authorities of other States. The position has not improved even after four years. As a result, it could not be assessed as to how much revenue had actually accrued to Delhi Administration on such permits and the actual amount realised against them. The department stated (October 1987) that as advance information relating to the number of permits issued for plying the vehicles in Delhi was not forthcoming from various States/Union Territories it was not practicable to maintain the said register.

35.7 97 bank drafts for Rs. 26,842. pertaining to the period 1979 to 1985, were received from the Regional Transport Authority (R.T.A.), Jaipur, in February 1987. As the drafts were time-barred, these could not be encashed (April 1987). As a result of non-maintenance of Demand and Collection Register, it was not even known to the STA, Delhi that the amounts were actually due from STA, Jaipur.

35.8 The department stated (April 1987) that approximately 33,000 bank drafts valuing about Rs. one crore were received during the year 1985-86. Out of these, 17,152

bank drafts valued at Rs. 58.63 lakhs were stated (October 1987) to have been deposited into the bank, information in respect of the remaining drafts could not, however, be supplied by the department.

35.9 In February 1987, the department issued a directive to its Accounts Branch to deposit all valid drafts with the bank by March 1987 and also to get the time-barred drafts re-validated. In response to the above directive, a list of 7,343 bank drafts valued at Rs. 25,27,405 was prepared but the same could not be deposited (May 1987). The department stated (October 1987) that 50,252 bank drafts were referred to various banks by the end of July 1987 for revalidation.

35.10 It was noticed in audit that 425 bank drafts valued at Rs. 1,38,617 received during the years 1982-83 to 1984-85 from various States were also lying with the Directorate. Further, 19 bank drafts valuing Rs. 9,300 received direct from the tax payers in Delhi between June 1983 and September 1986 were also not deposited into the bank (May 1987).

35.11 During the years 1983 and 1984, the STA, Delhi received 4,785 applications for

national permits (against the quota of 852 permits released by the Central Government) along with an equal number of bank drafts valued at Rs. 22.35 lakhs as security deposit.

The demand drafts, which were valid for six months, were neither deposited into the bank for credit to the head "Deposit" in the Government account nor could the department produce records to show that the bank drafts were returned to the applicants. As the amounts of security deposits were refundable to the applicants or adjustable against their dues, the STA Delhi had incurred a liability to the extent of Rs. 22.35 lakhs due to improper handling of bank drafts (April 1987).

The department stated (October 1987) that they had written to individual applicants requesting them to collect their security deposits and only 610 cases pertaining to 1983 and 1984 were outstanding.

The foregoing was brought to the notice of Ministry of Home Affairs in August 1987; their reply has not been received (November 1987).

TERMINAL TAX

36. Levy and collection of terminal tax

36.1 Introduction

In Delhi, terminal tax on goods is levied and collected as per provisions of Section 178 of Delhi Municipal Corporation Act, 1957. The Delhi Terminal Tax Rules, 1958, issued in pursuance of the Act, entrusted the levy and collection of terminal tax on goods to an agency of the Municipal Corporation of Delhi, designated as the Delhi Terminal Tax Agency.

36.2 Scope of Audit

The records of Delhi Terminal Tax Agency for the year 1984-85 were test checked in Audit during December 1985.

36.3 Organisational set up

The Delhi Terminal Tax Rules provided for establishment of barriers at suitable places in the immediate vicinity of the terminal tax limits. As on 31st March 1987, 93 terminal tax barriers were functioning. For the administration of the assessment and collection of terminal tax, the Union Territory of Delhi was divided into five zones, each zone having charge of the barriers falling within its limit. The agency was headed by a Terminal Tax Officer, who was assisted by a Deputy Terminal Tax Officer in the discharge of his functions.

36.4 High lights

(i) Non-observance of the prescribed procedure with regard to the receipts of the Terminal Tax Agency and their remittance into Government Account.

(ii) Terminal Tax amounting to Rs. 152.72 lakhs was outstanding on 31st March 1987, against importers availing bill facilities.

(iii) Recoveries due from check-post staff on account of short realisation of tax due to various reasons, relating to the period upto 30th November 1985 amounted to Rs. 5.80 lakhs as at the end of March 1987.

(iv) Non-functioning of weigh bridges at various checkposts for about three years resulting in non-levy of terminal tax based on actual weight.

36.5 The amount of terminal tax collected and credited to Government account during the 3 years ending 31st March 1987 was as under:-

Year of account	Amount of terminal tax collected	Cost of Collection
	(In crores of rupees)	
1984-85	22.75	1.85
1985-86	26.50	2.20
1986-87	30.34	2.30

36.6 Collection of terminal tax—non-observance of prescribed procedure

In terms of the Delhi Municipal Corporation Act, 1957 and the rules made thereunder, the proceeds of the terminal tax collected should form part of the Consolidated Fund of India and should be accounted for and credited in such manner as might be prescribed by the Central Government. The salient features of the procedure prescribed (October 1961) by the Central Government in this regard were as under :

(i) The Agency should open a current account with the State Bank of India (S.B.I.)

(ii) The amount of tax as and when realised and received at the head office (of the Agency) should be credited to the above account within forty eight hours of receipt.

(iii) The Agency should arrange to credit to Government account at intervals, not exceeding 7 days, the amount held in the current account after leaving a balance of Rs. 10,000 which might be required for making refunds.

(iv) The Agency was also directed to discontinue the practice of passing the terminal tax collections through the Municipal Fund.

The following points were noticed during the course of audit :

(a) The daily collections of terminal tax were initially deposited into the Municipal Treasury and thereafter transferred to the Agency's account with S.B.I. A portion of the balance held in the account with SBI was periodically (once in a week) deposited into the Consolidated Fund of India. The

passing of collections of the tax through the Municipal Treasury was in contravention of the directions of the Central Government.

(b) The average daily balance held by the Agency with SBI exceeded Rs. 55 lakhs (minimum and maximum amounts being Rs. 33 lakhs and Rs. 82 lakhs respectively) in January 1985 and Rs. 46 lakhs (minimum Rs. 27 lakhs and maximum Rs. 84 lakhs) in January 1986.

(c) The balance held by the Agency with the SBI as on 31st March 1987 was Rs. 139.18 lakhs as revealed by the bank statement. In addition, the Agency withheld the deposit of cash receipt of Rs. 18.76 lakhs collected during the last three days of March 1985. This resulted in non-accountal of revenue of Rs. 157.94 lakhs in the year of its collection, besides keeping the amount outside the Government account.

The Agency stated (December 1986) that cash realised as terminal tax was deposited into the Consolidated Fund of India at a regular interval of seven days as per instructions of the Government of India and that accordingly, there was bound to be a huge balance, specially on the 5th and 6th day, when the cash is to be deposited after every seventh day. It was further stated that during the month of March 1985 the last instalment of weekly deposits was made on 27th March 1985 and the next date of depositing was 3rd April 1985. Hence, there was a huge balance on 31st March 1985. The contention of the Agency was not tenable as the balances held by the Agency in the current account even on the dates of remittances ranged from Rs. 26 lakhs to Rs. 41 lakhs in January 1985 and Rs. 21 lakhs to Rs. 38 lakhs in January 1986 which far exceeded the permissible limit of Rs. 10,000. Moreover, carrying over the money collected in one financial year to the following year was against the financial principles enunciated in the General Financial Rules of the Central Government.

36.7 Outstanding amount of terminal tax amounting to Rs. 1,52,71,944 against the importers availing bill facilities

Rule 22 of the Delhi Terminal Tax Act, 1958 provided *inter alia* that the Terminal Tax Officer (T.T.O.) may collect the tax by means of monthly bills instead of at the barriers in the case of goods imported into the terminal tax area by Government

Departments, and with the written permission of the Agency, by any other importer, provided an adequate deposit, as may be fixed by the Agency, had been made by such other importers. It further provided that in the first week of every month, a statement of account of each importer should be prepared and forwarded to the importer concerned who should, within a week of the receipt of such statement, make payment thereof. It would be open to the Agency to withdraw the concession in respect of such importers, who defaults payment on due dates.

It was noticed in audit that during the year 1983-84 delays in forwarding the demands issued to the importers by the department varied from 9 to 159 days and the payments against these demands were received late by periods ranging from 9 to 231 days. This resulted in heavy accumulation of the outstanding arrears of terminal tax against the importers. As per the Agency's records, an amount of Rs. 59,34,923 was outstanding on 31st March 1984 against various importers availing of bill facilities. The Agency stated (November 1985) that 80 per cent of the arrears were not factual arrears but involved billing mistakes regarding type of rate, totalling, calculations etc. The balance 20 per cent arrears had been recovered. It was also stated that withdrawing of the billing concessions given to Government Departments would result in complaints being made at higher levels. However, it was noticed that an amount of Rs. 1,52,71,944 was still outstanding as on 31st March 1987. (Rs. 32,27,752 against Government departments and Rs. 1,20,44,192 against importers in private sector, oil companies and Government Undertakings). The Agency further stated (November 1987) that out of the above outstanding dues, an amount of Rs. 29,42,927 had since been recovered.

36.8 Outstanding recoveries from staff at check posts

Rule 35 of the Delhi Terminal Tax Rules, 1958 provides that when terminal tax has not been paid or short-paid through inadvertance, error, collusion or misconstruction on the part of the terminal tax staff or through misstatement as to the weight or description on the part of the importer, the person primarily liable to pay such tax should pay the amount of the tax or the deficiency on receipt of a notice of demand issued within three months.

It was observed during audit that the department did not take any action to recover the tax or deficient amount of tax from the importers within the prescribed period as stipulated under the rules. Instead, the employees dealing with this work on check posts were made liable for the deficiency; the departmental instructions prescribing such procedure could not be produced to Audit.

The table below would indicate the amount of recovery outstanding against the terminal tax staff as on 30th November 1985 on account of tax not realised/short realised due to inadvertance, error etc :-

Nature of Staff	Number of employees involved	Amount
Present T.T./Staff	274	Rs. 3,54,520
Ex. T.T./Staff/ (Transferred Employees).	121	Rs. 2,25,016

While the recoveries were being made from some of the present employees in monthly instalments ranging from Rs. 10 to Rs. 50 majority of the employees were avoiding payment of instalments resulting in accumulation of huge outstanding amounts. The possibility of their becoming irrecoverable with the passage of time cannot be ruled out.

New Delhi
The

19 1 APR 1988

36.9 Non-functioning of weigh bridges at terminal tax barriers--non-levy of terminal tax by actual weight

Rule 12 (1) of Delhi Terminal Tax Rules, 1958 provides that the Delhi Terminal Tax Agency should provide at each barrier a suitable weighing device which should always be kept in proper working order for correct assessment of terminal tax at the check posts, **whenever** it involved levy of tax by actual weight. Accordingly, the Agency maintained 12 weigh bridges at 10 different checkposts.

A test check of the records of the Agency revealed that service contracts for the maintenance of weigh bridges at nine check posts had expired on 6th April 1982. Out of 10 weigh bridges, the maintenance contract for 9 weigh bridges was finalised on 26th November 1985. The agreement was nowever entered into on 21st March, 1986. During the intervening period of over three years, most of the weigh bridges had remained out of order.

The exact period for which the weigh bridges remained out of order was not intimated to Audit. The alternative arrangements made for correct assessment of weight for levy of duty during this period were also not on record. The extent of short assessment/evasion of duty at the check posts could not, therefore, be assessed.

M. Lahiri

(P.K. LAHIRI)

Director of Audit-II, Central Revenues.

Countersigned

T.N. Chaturvedi

(T.N. CHATURVEDI)

Comptroller and Auditor General of India.

New Delhi
The

19 2 APR 1988

APPENDIX--I

(Vide Paragraph 19)

Statement showing losses, irrecoverable revenues, duties, advances, etc. written off and ex-gratia payments made during the year 1986-87

In 2 cases, Rs. 0.17 lakh representing mainly losses due to theft, fraud, etc. and irrecoverable revenue, duties, advances, etc. were written off and in 2 cases ex-gratia payments aggregating Rs. 0.60 lakh were made during 1986-87 as detailed below :--

Department	Write off of losses, irrecoverable revenue, duties, advances, etc.					
	Due to neglect, fraud, etc. on the part of the individual Govt. officials		Due to other reasons		Ex-gratia payment	
	No. of cases	Amount (Rupees in lakhs)	No. of cases	Amount (Rupees in lakhs)	No. of cases	Amount (Rupees in lakhs)
1	2	3	4	5	6	7
1. Commissioner of Police	--	--	1	0.13	1	0.50
2. Delhi High Court	--	--	1	0.04	--	--
3. Directorate of Family Welfare, Delhi Administration	--	--	--	--	1	0.10
TOTAL	--	--	2	0.17	2	0.60

ERRATA

<i>Page No.</i>	<i>Column</i>	<i>Line</i>	<i>For</i>	<i>Read</i>
(i)	—	3 of Table of Contents	(v)	(iii)
(ii)	—	16 „	Receipt	Receipts
(ii)	—	4 from bottom	demand	demand drafts
1	1	9	planing	planning
1	1	11	Laprosy	Leprosy
35	2	1 & 2 from bottom	acetylen gases	acetylene gas
42	2	5 from bottom	983	1983
45	2	22	nowever	however

