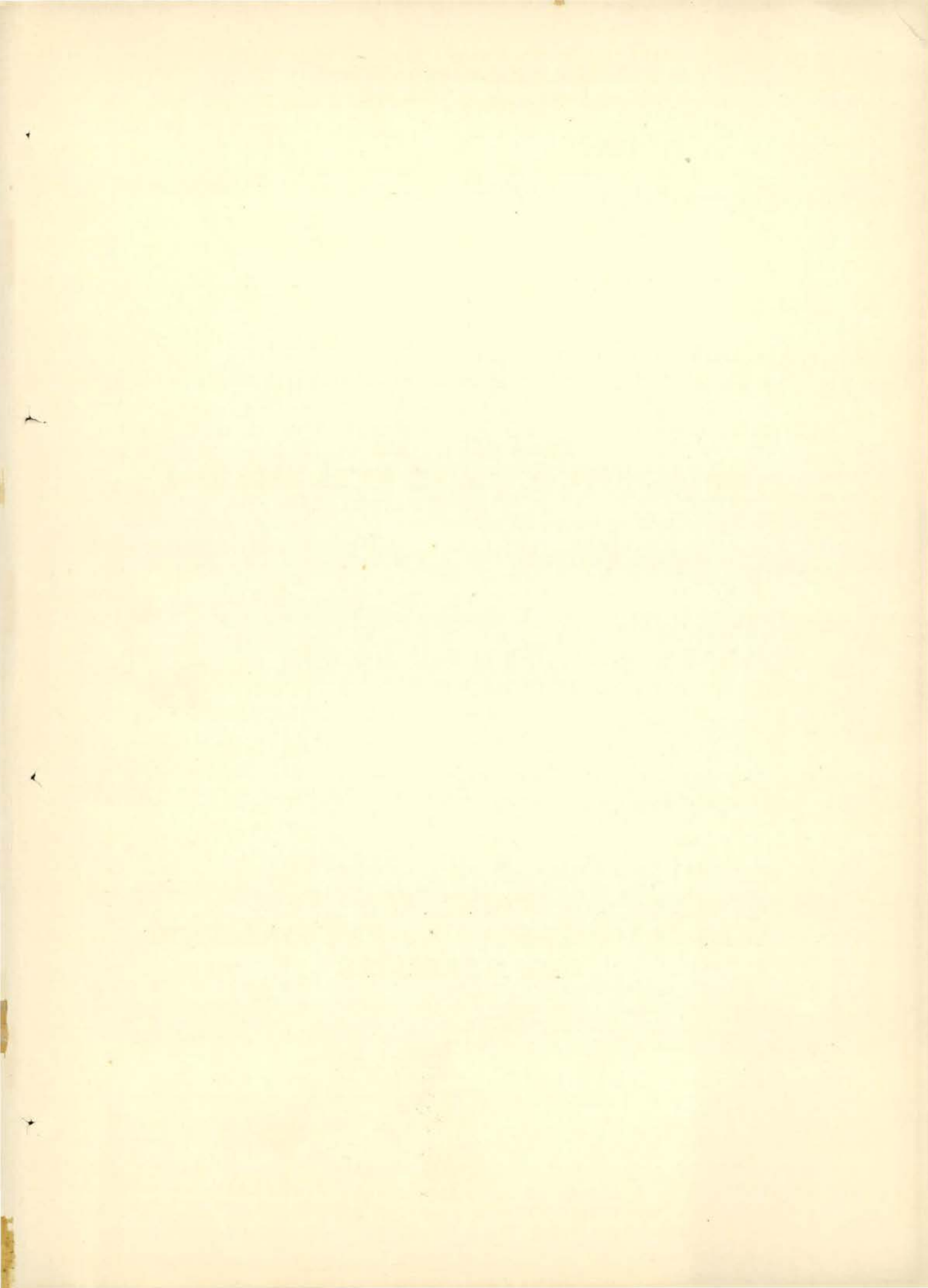




**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 1990
NO. 3 OF 1991**

**UNION GOVERNMENT
(DELHI ADMINISTRATION)**



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PREFATORY REMARKS

This Report for the year ended 31 March 1990 has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from test audit of the financial transactions of the Departments of the Union Territory of Delhi Administration including Delhi Development Authority.

2. This Report includes, among others, reviews on :
- (a) Co-operative Societies
 - (b) Delhi Energy Development Agency
 - (c) Adult Literacy Programme
 - (d) Family Welfare Programme
 - (e) Self Financing Housing Registration Scheme for allotment of flats at Vasant Kunj
 - (f) Construction of night shelters
 - (g) Registration and cancellation of dealers in the Sales Tax Department

3. The cases mentioned in this Report are those which came to notice in the course of audit during the year 1989-90 as well as those which had come to notice in the earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1989-90 have also been included, wherever considered necessary.

OVERVIEW

This Audit Report for the year ended 31 March 1990 contains 44 paragraphs including 7 reviews. The points highlighted in the Report are given below:-

I Financial Aspects

During 1989-90, the total receipts and expenditure of Delhi Administration were Rs.892.80 crores and Rs.1,483.63 crores against the budgeted estimates of Rs.869.55 crores and Rs.1,501.16 crores respectively. Tax and non-tax revenues accounted for 96 per cent and 4 per cent respectively of the total revenue receipts of Delhi Administration. Grants-in-aid and loans to the local bodies were Rs.260.80 crores and Rs.295.82 crores respectively. The outstanding loans as on 31 March 1990 were Rs.813.03 crores.

(Paragraph 1)

II Co-operative Societies

The Registrar of Co-operative Societies has the over all responsibility for looking after the scheme for the development and promotion of the co-operative movement in Delhi.

Out of 4,609 societies registered as on 31 March 1989 under the categories - industrial, urban, thrift and credit consumer co-operative stores, house building and multipurpose package (rural), as many as 2,037 societies had not been working. No cause and effect analysis relating to the large number of societies not working was undertaken by the department.

Share capital invested by the Delhi Administration in the societies was to be paid back in accordance with the terms and conditions of the investment. Recovery of Rs.48.52 lakhs on account of share capital had been outstanding as on 31 March 1990.

Recovery of Rs.34.70 lakhs against loans and Rs.27.82 lakhs towards interest due thereon till March 1990 had not been effected.

Returns were not prescribed by the department for assessment and collection of dividend on profits declared by the societies. Dividend amounting to Rs.5.07 lakhs had not been recovered from two co-operative societies.

Elections to the Managing Committee, provided for in the bye laws of the societies, had not been held for a number of years in a large number of cases and the Registrar did not take appropriate action as required under the rules.

Under the Co-operative Societies Act, the accounts of every co-operative society are required to be audited once in each year by the Registrar or his nominee. However, audit of the accounts of only 24 per cent of the societies had been completed by the department during 1988-89. Recovery of audit fee of Rs.10.80 lakhs had also been outstanding against the societies. The arrears of audit fee were increasing every year.

(Paragraph 2)

III Delhi Energy Development Agency

Delhi Energy Development Agency was established by Delhi Administration in 1984 with the objective of execution of Integrated Rural Energy Programmes and Non-Conventional Urban Energy Programmes, various pilot projects of non-conventional and conventional energy sources and organising and promoting supplies of various energy saving devices like solar cookers, wind mills, biogas plants etc. Besides, a regular battery bus service was introduced by the Agency in June 1985 as a measure to control pollution and provide noiseless mode of transport in the congested areas of Delhi.

The proposals for claiming grants from Government of India and Delhi Administration were not realistic. There were savings every year ranging from Rs.8 lakhs to Rs.141 lakhs. A sum of Rs.299 lakhs was lying in fixed deposits at the end of March 1990.

Although Delhi Administration aimed at covering 70 per cent of Delhi's population (about seven lakhs families) to adopt improved and non-conventional sources of energy at the end of the Seventh Plan, there was no record to indicate the number of families which were adopting the improved and non-conventional sources of energy.

There was no feed back relating to the use of 631 solar cookers and 134 domestic solar water heating systems worth Rs.13.35 lakhs distributed by the Agency free of cost for demonstration purposes.

The surveys conducted by the Agency during 1988-89 indicated that only 25 per cent of the 159 biogas plants, 31 per cent of the 115 domestic solar heating systems and

62 per cent of the 95 wind mills were working satisfactorily. The subsidy of Rs.4.47 lakhs paid on 119 biogas plants which were not working was unproductive. A sum of Rs.15.71 lakhs due from the beneficiaries of biogas plants and domestic solar water heating systems for the period 1984-89 had not been recovered.

Out of five biogas engines purchased at a cost of Rs.2.50 lakhs during 1985-87, only one has been installed for demonstration and the remaining four have been lying idle.

Training was not provided for the construction of biogas plants and there was no record relating to training or demonstration of solar cookers although Government of India released Rs.0.90 lakh and Rs.3.50 lakhs for the purpose respectively.

Out of 30 tropicultors along with carts purchased at a cost of Rs.3.38 lakhs in 1983-84, only two were sold. 22 tropicultors were defective.

Only one of the three wind generators, purchased at a cost of Rs.4.80 lakhs in 1985-87, was installed for demonstration; it was not working from June 1987. The other two were lying idle. One solar thermal pump worth Rs.4.50 lakhs installed for demonstration purpose had not been working since March 1989.

Out of the 1,643 solar stills purchased and installed at a cost of Rs.18.84 lakhs for providing distilled water for battery buses, 500 solar stills valuing Rs.5.70 lakhs, had been lying broken/damaged since 1987-88 and 1988-89.

On a claim of a doctor/inventor that he had developed a new technology of producing gas/power from cellulosic wastes, the Agency entered into an agreement with him

to set up 300 KW power gas generation plant based on his technology. The plant never came up. The expenditure of Rs.10.87 lakhs on the project proved infructuous.

The scheme of battery bus service, apart from being environmentally - friendly, was conceived as economically viable. Instead of earning a profit of Rs.15 per bus per day, the Agency sustained losses to the extent of Rs.124.98 lakhs during 1985-89 due to failure to provide a suitable back up, infrastructure and proper supervision.

The Agency had a fleet of 101 buses as on 31 December 1989. Against the average run of 60 Kms. projected by the Agency, the average run, per day, per bus ranged from 8.43 to 17.14 Kilometers. 60 to 70 per cent of the buses had been off the road since inception mainly due to the non-availability of parking facilities and charging stations and frequent failure of chopper controllers. Of the 75 to 105 chopper controllers, 43 to 63 remained with Bharat Heavy Electricals Limited for repairs from May 1988 to February 1990. Though the number of buses gradually kept on increasing, steps were not taken to provide adequate parking facilities and to solve the problem of failure of chopper controllers.

Though with the modification of the buses by making provision of an extra battery for quick replacement there was an improvement in the kilometer run of the buses per shift, yet 21 modified buses were not provided with an extra battery each due to the non-availability of batteries. The records revealed that the Agency had purchased 30 batteries during July to October 1989 which remained unutilised.

43 sets of batteries costing Rs.22.70 lakhs became unserviceable as these were lying disused for periods ranging from 40 to 57 months.

Receipts of Rs.1.01 lakhs on account of the sale of bus tickets were short credited to Agency's account during 1986-87.

A fire at Loni Road Depot in November 1986 resulted in loss of cash and valuables. Neither a First Information Report was lodged with the police nor were any records relating to the loss available with the Agency.

(Paragraph 3)

IV Adult Literacy Programme

The National Adult Education Programme was introduced in the Union Territory of Delhi in 1979 to attain complete literacy by 1990. Owing to continuous influx of nearly one lakh illiterate adults every year in the metropolitan city, Delhi continued to occupy third position in literacy in the country. The programme aims at imparting literacy and numeracy skills to people in the age group of 15 to 35 years both in urban and rural areas through State Adult Education Programme (SAEP) and Rural Functional Literacy Programme (RFLP).

Out of Rs.443.86 lakhs allocated for the implementation of the programme, an expenditure of Rs.302.88 lakhs only was incurred during the Seventh Five Year Plan ended March 1990. Jan Shikshan Nilayam Scheme meant for continuing education to neo-literates was not implemented. The required number of books and learning materials were also not purchased owing to their non-availability with the State Resource Centre.

Against the target of imparting education to 3.45 lakhs people under the two programmes, SAEP and RFLP, the Directorate of Education has reported to have given education to only 2.65 lakhs people.

Of the 1,453 centres functioning in April 1990, test check of 145 centres by Audit revealed that 31 centres had neither instructors nor the learners; and 39 centres were being run at the residences of the instructors, with no learners. Though the monthly average attendance of 32 centres ranged between 4 and 30, the actual attendance of learners was found between 2 and 6 only. The orders issued by the Directorate in September 1989 to transfer all the centres to Government school buildings had not been implemented. There were no inspections by higher authorities.

Though the programme envisaged the appointment of project officers, supervisors, clerical and group 'D' staff and part time instructors on fixed remuneration ranging from Rs.100 to Rs.1,500 per month, Delhi Administration drafted trained teachers and clerical and group 'D' staff on regular pay and allowances for the post of project officers, supervisors and group 'D' staff. The payment of pay and allowances to regular staff resulted in an extra expenditure of Rs.71.38 lakhs during the five years ended March 1990.

About one half of the stage I learners under State Adult Education Programme and two third learners under Rural Functional Literacy Programme had not been provided with books at all or with complete set of books. For stage II learners, books worth Rs.2.54 lakhs costing between rupees five and rupees eight each against the prescribed ceiling of Rs.3.50 each were purchased.

Training arrangements for the functionaries of the programme were inadequate. Only a programme of 5 days was imparted to 16 project officers and 24 supervisors during 1989. The Directorate did not have any information relating to training of the staff prior to 1989.

Though substantial grants (Rs.82.29 lakhs during 1989-90) were being given by the Ministry directly to 23 voluntary agencies selected for implementing the programme on the recommendation of Delhi Administration, their working was not supervised by Delhi Administration.

The findings of evaluation studies on adult literacy centres by different agencies revealed unsatisfactory performance of the programme. The recommendations made by the evaluation study cell of the Planning Department (Delhi Administration) in September 1987 relating to close supervision, holding of centres in common places like schools, dispensaries, etc. had not been implemented.

(Paragraph 4)

V Family Welfare Programme

The main objective of the programme is to bring down the birth rate and to promote the health of mothers and children by providing pre/post natal service through immunisation and other prophylactic treatments.

An expenditure of Rs.1,341.01 lakhs was incurred by the Directorate of Family Welfare during five years ended March 1990, apart from assistance in kind in the form of contraceptives, equipment, vaccines, drugs, etc. from the Ministry.

The birth rate instead of decreasing had gone up by 6.17 per thousand to 30 per thousand from

23.83 during the years 1978-89. There was no marked improvement in the adoption of small family norms. The targets set by the Administration had not generally been achieved. The male population undergoing sterilisation was very low. Records of various agencies showed that the figures of achievement in respect of sterilisation and insertion of intra-uterine contraceptive device had been inflated.

The birth in the hands of untrained midwives and others had gone up by 4.91 per cent and the rural sector had continued to be neglected inasmuch as in the rural areas about 88 per cent of births took place in the hands of untrained midwives and others.

During test check of accounts of family welfare unit of LNJP Hospital, misappropriation of Rs.0.16 lakh by drawing incentive money twice by making alterations in the records in respect of 120 cases was detected by Audit. Besides, drugs and dressing money amounting to Rs.7.42 lakhs received by the unit during September 1976 to October 1989 were kept outside Government account, in savings bank account and records relating to expenditure of Rs.3.80 lakhs therefrom were not made available to Audit. On the matter being pointed out by Audit, the Directorate stated that similar irregularities were also noticed by them and that LNJP Hospital had instituted an inquiry.

Excess payment of grants-in-aid of Rs.7.61 lakhs was made to two voluntary organisations during 1988-90. Three post partum units which were sanctioned in 1986-87 and provided with equipment worth Rs.2.55 lakhs had not been performing any sterilisation operations and were functioning as health posts only till June 1990.

Against 5,858 cases of sterilisation reported to have been performed by voluntary organisations during 1986-87 to 1988-89 incentive money was claimed for 7,023 cases. Thus the incentive money amounting to Rs.2.16 lakhs had been released in excess by the Directorate.

Reports of evaluation team of the Directorate in respect of 162 cases test checked relating to five hospitals showed that 52 beneficiaries were not living on the given addresses. 14 persons denied having undergone sterilisation, four persons complained that no follow up action after sterilisation had been taken by these hospitals and that the field workers filled in the entries without actual survey.

Information required under the Medical Termination of Pregnancy Act and rules made thereunder was not furnished by some of the implementing agencies. Inspection of the organisations was not being carried out by the Chief Medical Officer after initial approval. The inspection was necessary to ensure that medical termination of pregnancy was continued to be done with requisite facilities and under safe and hygienic conditions.

Fifteen laparoscopes valuing Rs.8.25 lakhs were issued to six agencies in excess of the scale prescribed by the Ministry. Ten laparoscopes valuing Rs.5.50 lakhs issued to three hospitals had been lying in stock unused for more than two and a half years. 39 laparoscopes valuing Rs.21.45 lakhs had been lying in stock in the Directorate for more than two years.

The funds, allocated during 1985-90 for the publicity wing, were being spent in the last quarter so as to exhaust funds during the respective financial years. Performance figures of film shows,

hari kathas, seminars, orientation training camps, display of hoardings, kiosks and banners furnished to the Ministry of Welfare by the Directorate were exaggerated.

(Paragraph 5)

VI Fraudulent drawal of Government money in Hospital for Mental Diseases, Shahdara

In Hospital for Mental Diseases, Shahdara, a sum of Rs.3.69 lakhs was fraudulently drawn by the staff during December 1987 to March 1989 by inflating the amount of nine sanctions from Rs.0.52 lakh to Rs.4.21 lakhs. Further, bills for Rs.9.72 lakhs for the purchase of store/stationery articles appeared to have been paid during 1986-89 without receipt of goods. The fraudulent withdrawal of Government money was made possible due to negligence and non-adherence to rules.

(Paragraph 6)

VII Money kept out of Government accounts

Bank drafts of Rs.12.98 crores received by the Commissioner of Industries on behalf of the Government with 25,957 applications for the allotment of 500 industrial plots by the Commissioner of Industries in May 1988 had been kept out of the Government accounts for 14 months and those of Rs.12.84 crores for another 8 months in contravention of the rules. Delhi Administration stated that drafts had not been deposited to facilitate refund of money to a vast majority of the unsuccessful applicants.

(Paragraph 7)

VIII Delay in construction of Udyog Sadan

The construction of "Udyog Sadan", for housing the authorities connected with industrial development under one roof in south of IIT Industrial Area, entrusted to Delhi State Industrial Development Corporation (DSIDC) as deposit work in March 1986 had not been completed till March 1990. Two acres of land allotted in trans Yamuna area was taken back by DDA as it was required for local railway terminal. An expenditure of Rs.1.24 lakhs incurred on architectural fee, drawings and soil testing of the land, etc. was rendered infructuous and Rs.16 lakhs on the cost of the land remained blocked with DDA as it failed to provide alternative site to the department even after about two years. A sum of Rs.124 lakhs out of Rs.180 lakhs paid in 1986-87 for construction of buildings also remained unutilised with DSIDC.

(Paragraph 8)

IX Avoidable expenditure on development of land at Gharoli

The scheme of development of industrial plots was abandoned in August 1989. Consequently, Rs.15.94 lakhs incurred by PWD on earth filling and fencing of the land had been infructuous. Refund of Rs.327.75 lakhs on account of cost of 47.6 acres of land not handed over by DDA had also not been obtained by the Commissioner of Industries.

(Paragraph 9)

X Non-recovery of dues from a contractor-related appointment of arbitrator

Recovery of extra expenditure of Rs.2.64 lakhs incurred on the balance work of "increasing the capacity of Najafgarh drain from RD 1,16,700 to RD 1,18,050" fore closed in April 1987 had not been effected

from the defaulting contractor by the Irrigation and Flood Control Department even after more than five years of the rescission of the contract. An arbitrator had been appointed belatedly in October 1990.

(Paragraph 10)

XI Irregular release of loan for redevelopment of Shahjahanabad

A loan of Rs.250 lakhs was granted by the Land and Building Department to the slum wing of the Delhi Development Authority during March 1986 and 1987 for procuring land at Mata Sundri Road for resettling the families staying in dangerous katras in the walled city though the scheme "Redevelopment of Shahjahanabad" (old Delhi) at an estimated cost of Rs.375 crores had not been approved by the Ministry of Urban Development. Although no expenditure had been incurred against the loan, information regarding its refund together with interest by DDA had not been furnished.

(Paragraph 12)

XII Delay in completion of Yamuna Bridge near ISBT, Delhi.

Construction of main bridge and western approach of the Yamuna bridge scheduled for completion by June 1987 had not been completed. The work of construction of main bridge awarded to National Buildings Construction Corporation Limited (NBCC) for completion by June 1987 was taken over by Public Works Department for execution departmentally at the risk and cost of NBCC in terms of the agreement. A sum of Rs.4.21 crores due from NBCC up to September 1990 had not been recovered and the department did not even submit a claim before the arbitrator. The contract of western

approach, awarded to a contractor for completion by April 1987, was rescinded by the department in December 1988 due to slow progress. The recovery of Rs.6.25 crores including compensation of Rs.1.36 crores for delay had not been effected.

Owing to delay in the completion of the bridge, vital communication infrastructure stand denied to the road users apart from loss of economic benefit of Rs.8.22 crores during the three years.

(Paragraph 13)

XIII Loss due to rescission of a contract

The claim for an extra expenditure of Rs.5.53 lakhs had been rejected by the arbitrator in August 1987. The extra expenditure was incurred by the Public Works Department in completing the balance work of "Widening of Road No.25 from two lanes to four lanes" at the risk and cost of the contractor whose contract had been rescinded in November 1981. The ground for rejection was that the delay in completion of work was mainly due to delay on the part of the department to make available the site, communicate decision regarding change in alignment etc. and that the rescission of the contract was legally invalid as it was done without making time the essence of the contract. Besides, the department had to pay Rs.1.59 lakhs on account of interest on the claim of Rs.2.75 lakhs awarded to the contractor for work done and not paid.

(Paragraph 14)

XIV Extra expenditure due to delay in acceptance of tender.

Delay in processing and finalisation of tenders received in November 1988 for the work of construction of a residential colony for Police Department by the Public Works Department resulted in extra expenditure of Rs.7.27 lakhs.

(Paragraph 15)

XV Non-recovery of dues from a firm

There was inordinate delay in the recovery of Rs.10.75 lakhs on account of the cost of material, secured advance, extra expenditure incurred on completion of balance work etc. from a firm whose contract had been rescinded in February 1987. Though the Executive Engineer had requested the Chief Engineer, Public Works Department, in July 1990 to appoint an arbitrator, orders for the appointment of the arbitrator had not been issued (December 1990).

(Paragraph 16)

XVI Non-recovery of dues from a contractor

Recovery of Rs.11.60 lakhs from a contractor whose contract was rescinded by the Public Works Department in August 1987 at the risk and cost of the contractor had not been effected. The orders for recovery had been circulated to all the divisions in June 1990 after a lapse of more than two and a half years of the rescission of the contract. An arbitrator had also not been appointed.

(Paragraph 17)

XVII Non-adjustment of advance

A balance amount of Rs.11.52 lakhs out of Rs.40 lakhs paid in March 1980 by the Project Manager of Guru Teg Bahadur Medical College and Hospital Project of Public Works

Department to the DDA for the construction of medical and public health buildings had neither been accounted for nor was it refunded to the Delhi Administration. Sanction for the payment was accorded by Delhi Administration (Public Health Department) in March 1980 without any specification, location etc. of the buildings to be constructed.

(Paragraph 18)

XVIII Self Financing Housing Registration Scheme for allotment of flats at Vasant Kunj

The pace of housing activity was ^{far} behind schedule as against the target of 10,475 flats, construction of 7,217 flats had been completed by March 1990 and that of 1,342 flats was in progress. The construction of 1,916 flats was yet to be taken up. There was delay in construction of flats ranging from 30 to 52 months which not only deprived the allottees of getting the flats within a reasonable time but it also resulted in an extra burden of Rs.674.11 lakhs on them due to increase in the cost of construction.

In the execution of the scheme, there was short supply of stipulated material, lack of co-ordination between the electrical and the construction divisions in the execution of electrical work. Further, there was delay in clearance of the sewerage, drainage and water schemes from the Municipal Corporation of Delhi. Delay was also noticed in the preparation of the lay out plan and the structural drawings in certain cases.

The work of providing and laying 600 mm dia PSC pipe line from the Deer Park, Hauz Khas, to the underground tank in Sector 'B' at Vasant Kunj was completed by May 1990, after a delay of more than

three years and after incurring an extra expenditure of Rs.31.40 lakhs. This led to water shortage and caused hardship to the allottees as they were getting only 0.5 mgd. water supply against the supply of one mgd.

(Paragraph 20)

XIX Construction of night shelters

Against the release of grant of Rs.252.67 lakhs by the Delhi Administration for construction of night shelters or 'ran-baseras' to provide shelter at night to the shelterless during 1985-1990, Delhi Development Authority incurred an expenditure of Rs.263.97 lakhs; Rs.121.18 lakhs were spent on construction of 15 night shelters including four in progress in different parts of Delhi and Rs.142.79 lakhs were diverted for other activities including Rs.32.22 lakhs on construction of Haj Manzil. The target of constructing 25 night shelters to accommodate 10,000 inmates at different places had not been achieved.

No survey to assess the shelterless in Union Territory of Delhi was taken up before implementation of the scheme. The facility of night shelter was not available to women and children.

Night shelters were constructed at places where the sites were not necessarily the most suitable for fulfilling the needs of the shelterless. Non-utilisation of four units resulted in an unproductive expenditure of Rs.29.15 lakhs. An excess expenditure of Rs.3.29 lakhs was incurred on the construction of a night shelter.

Voluntary organisations were not involved in organising and maintaining the night shelters.

(Paragraph 21)

XX Outstanding premium in respect of commercial plots

Delhi Development Authority sold by auction in 1980 and 1982 nine commercial plots in Nehru Place, Jhandewalan, Laxmi Nagar, Yusuf Sarai and Bhikaji Cama Place. Relaxation of terms and conditions of the auction in an adhoc manner resulted not only in non-realisation of Rs.47.35 crores (including interest) for the last eight to ten years but it also gave rise to litigation.

(Paragraph 22)

XXI Construction of cultural centre, mini hospital and practice hall at Asian Games Village Complex

The final bill for the construction of cultural centre, mini hospital and practice hall at Asian Games Village Complex was passed for a recovery of Rs.45.69 lakhs in January 1989, more than six years after the completion of the work in November 1982. Timely action was not taken on the report of February 1982 of the Chief Technical Examiner and to recover the cost of material issued and secured advance paid to the firm. No recovery had been effected as the matter had been under arbitration since September 1983.

(Paragraph 23)

XXII Irregular rescission of contract

The work of construction of 192 MIG Dwelling Units at Pitam Pura including internal development awarded to a contractor for completion in May 1983 was rescinded by Delhi Development Authority (DDA) in July 1984 as the contractor

abandoned the work. DDA levied compensation of rupees four lakhs for execution of defective work and Rs.4.01 lakhs for delay in the work. The counter claims of Rs.28.58 lakhs including extra expenditure of Rs.16.78 lakhs incurred on balance work was disallowed by the arbitrator except for Rs.0.02 lakh, *inter alia*, on the ground that the contract was rescinded by the DDA after one year from the stipulated date of completion and that the show cause notice for levy of compensation for delay was issued nearly after two years of the stipulated date of completion.

(Paragraph 24)

XXIII Delay in finalisation of drawings

The delay in finalisation of drawings for the construction of 180 dwelling units and 144 scooter garages under Self Financing Scheme at Wazir Pur, Phase III resulted in loss of Rs.6.81 lakhs to the DDA as the work awarded to the contractor in April 1982 for completion by January 1983 was closed by him for want of foundation drawings till the stipulated date of completion. The arbitrator appointed to adjudicate the dispute awarded a compensation of Rs.1.72 lakhs together with interest to the contractor on account of loss of profit etc. and rejected the counter claim of DDA for Rs.4.91 lakhs on account of non-recovery of secured advance.

(Paragraph 25)

XXIV Revenue Receipts - General

The total revenue receipts of Delhi Administration during the year 1989-90 amounted to Rs.892.80 crores (Rs.859.76 crores, tax receipts and Rs.33.04 crores, non-tax receipts) which were 9.74 per cent more than the corresponding receipts of

Rs.813.57 crores (Rs.792.90 crores, tax receipts and Rs.20.67 crores, non-tax receipts) during 1988-89. Tax receipts were mainly derived from Sales Tax (Rs.597.96 crores), State Excise (Rs.145.07 crores), Taxes on Goods and Passengers (Rs.34.85 crores), Stamp duty and Registration fees (Rs.34.85 crores) and Taxes on Motor Vehicles (Rs.31.59 crores).

(Paragraph 26)

XXV Sales Tax

(i) A review on "Registration and Cancellation of dealers of the Sales Tax Department" revealed that:-

- Due to ineffective monitoring by the department of the registration and cancellation of registration of the dealers, the figures of total number of registered dealers supplied by the wards and those supplied by the Statistical Branch of the Sales Tax Department were different.
- Non registration of dealers supplying building materials to a Central Government Undertaking resulted in loss of revenue amounting to Rs.1.37 lakhs during the period 1984-85 to 1989-90.
- Non registration as dealer of an Examination Board selling waste paper resulted in loss of revenue amounting to Rs.0.91 lakh during the period of last five years ending 1987-88.
- Non-adherence to the provisions of Delhi Sales Tax Act, 1975 resulted in registration of bogus dealers and suppression of sales amounting to

Rs.2.10 crores and consequential evasion of tax of Rs.14.73 lakhs.

- Purchase of goods by a dealer without payment of tax by issuing prescribed declarations in Form ST-1 prior to the date of his registration resulted in evasion of tax.

(Paragraph 34)

- (ii) In 56 cases non levy or short levy of tax, penalty and losses of revenue were detected in the Union Territory of Delhi. The tax effect of various irregularities pointed out by Audit is about Rs.137.37 lakhs including penalty and interest. As a result of re-examination of 25 such cases, the department revised the assessments and raised total additional demands of Rs.61.54 lakhs on account of tax, penalty and interest.

(Paragraphs 35-41)

- (iii) Failure of the department in detection of false/invalid declarations or interpolations in the declaration forms resulted in short levy of tax amounting to Rs.10.95 lakhs in 15 cases. Besides, penalty and interest of Rs.28.64 lakhs and Rs.3.34 lakhs respectively, though leviable in these cases, were not levied.

(Paragraph 35)

- (iv) Short levy of tax due to non-detection of suppression of sales in 16 cases resulted in loss of revenue amounting to Rs.15.86 lakhs. Besides, penalty and interest of Rs.39.65 lakhs and Rs.10.56 lakhs respectively could not be levied on the dealers due to suppression of turnover.

(Paragraph 36)

- (v) Loss of interest of Rs.7.68 lakhs occurred due to non levy of interest in 13 cases and of Rs.12.68 lakhs due to non levy of penalty in 9 cases.

(Paragraphs 42-41)

XXVI Motor Vehicle Tax

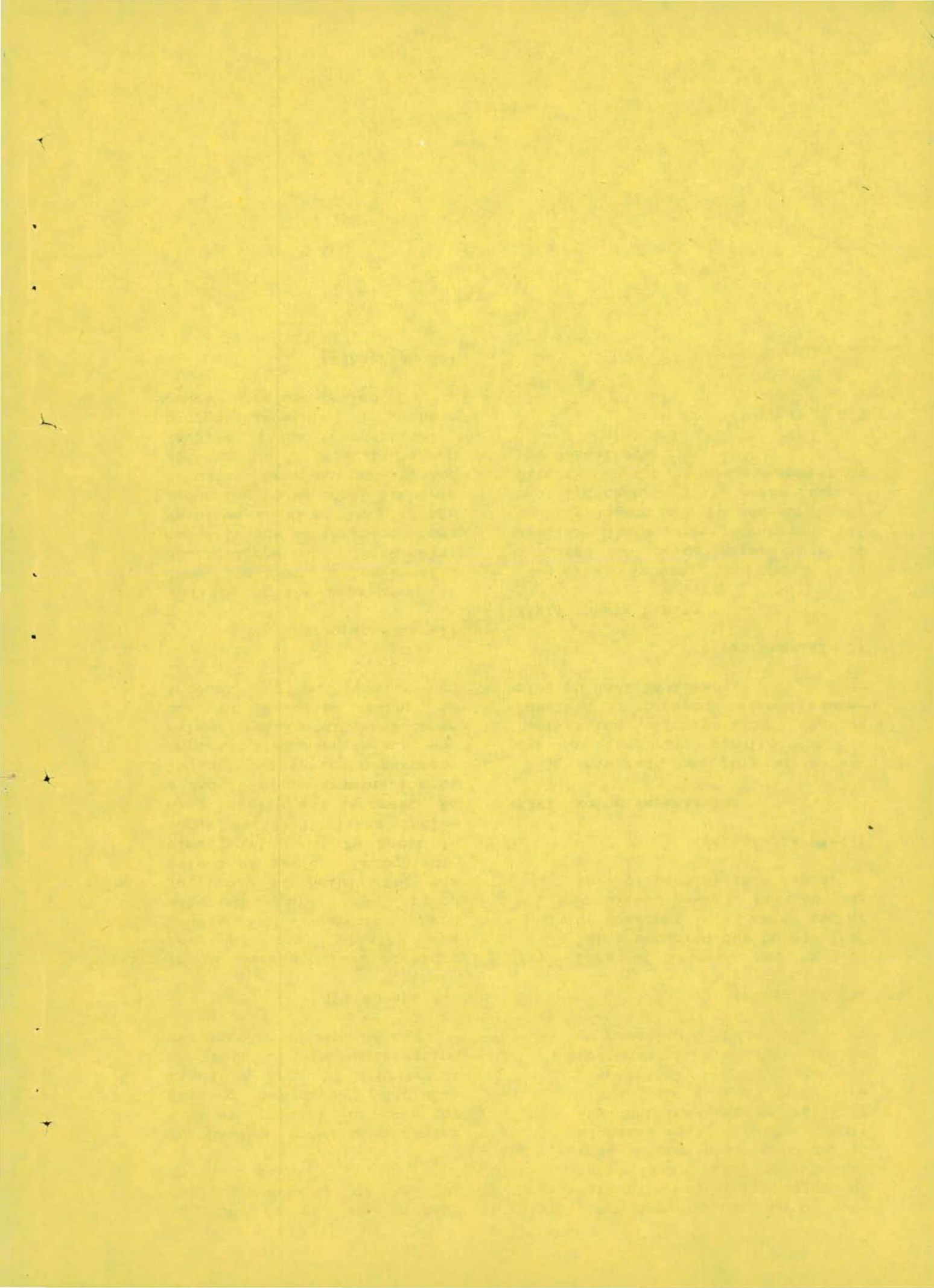
Incorrect charging of permit fee for temporary permits and non realisation of parking charges resulted in loss of revenue amounting to Rs.2.38 lakhs.

(Paragraphs 42-43)

XXVII State Excise

The Excise Department had incurred an extra expenditure of Rs.7.81 lakhs on procurement of country liquor due to non-supply by two licensees. This extra expenditure had not been recovered from the defaulters.

(Paragraph 44)



CHAPTER-I

1. FINANCIAL ASPECTS

1.1 Introduction

Delhi, the national capital, is a non-legislative Union Territory. There are three local bodies viz. the Municipal Corporation of Delhi (MCD), the New Delhi Municipal Committee (NDMC) and the Delhi Cantonment Board (DCB) which are entrusted with providing civic amenities and development in their respective areas besides the Delhi Development Authority (DDA) which is responsible for the planned development of Delhi by deciding the land use pattern, developing new residential/housing schemes and commercial centres. These bodies receive financial assistance from Delhi Administration besides mobilising their own resources.

The administration of Delhi vests in the President of India acting through an Administrator designated as the Lieutenant Governor who is assisted by the Metropolitan Council and the Executive Council. The main function of the Executive Council is to assist and

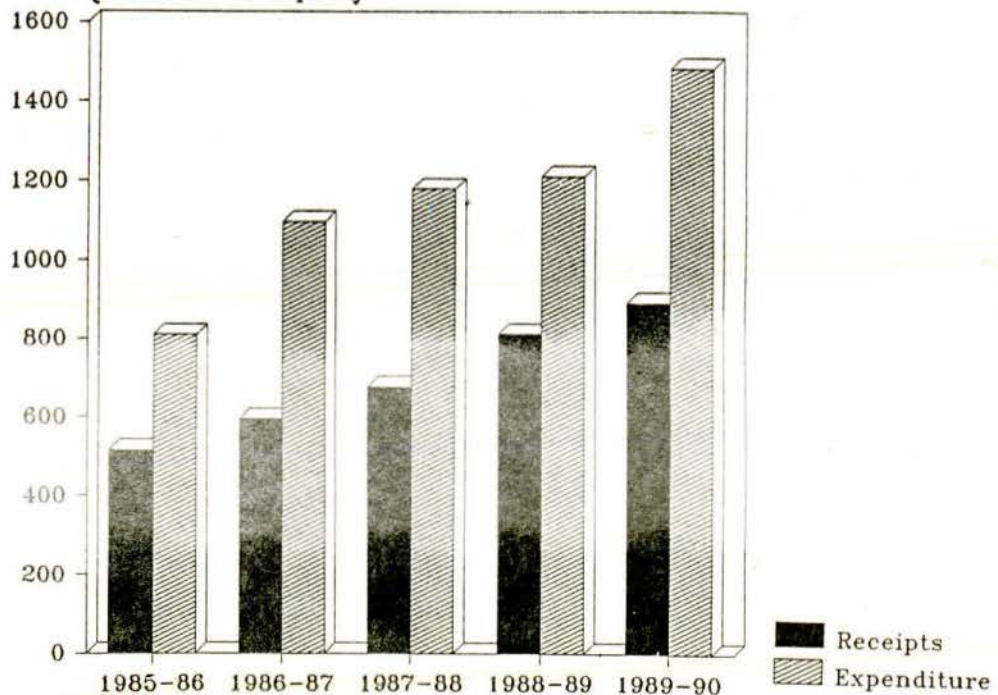
(in crores of rupees)

advise the Administrator in relation to matters enumerated in the State List and the Concurrent List in the Seventh Schedule in the Constitution of India. All members of the Executive Council are nominated by the President of India.

1.2 Financial aspects

1.2.1 Receipts and expenditure .-

The budget of Delhi Administration forms part of the overall budget of the Union Government and is presented as a separate grant under the Ministry of Home Affairs. The budgetary proposals for Delhi are first introduced in the Lok Sabha by the Union Finance Ministry. Later, they are discussed by the Metropolitan Council which cannot vote on the budget. The funds to meet the expenditure of the Union Territory are drawn from the Consolidated Fund of India and the revenues are credited directly to the Central exchequer. The total receipts and expenditure of Delhi Administration for the five years ending March 1990, were as follows:-



(in crores of rupees)

Year	Receipts			Expenditure		
	Tax Revenue	Non-tax Revenue	Total	Plan	Non-plan	Total
1985-86	491.85	23.77	515.62	401.78	408.55	810.33
1986-87	569.67	25.62	595.29	497.35	598.80	1096.15
1987-88	653.28	23.91	677.19	538.11	642.11	1180.22
1988-89	792.90	*20.67	*813.57	*557.09	*655.42	1212.51
1989-90	859.76	33.04	892.80	636.43	847.20	1483.63

There is a steep rise of 29 per cent in Non-plan expenditure during the year 1989-90 as compared to 1988-89. On the Plan side, the expenditure registered an increase of 14 per cent.

1.2.2 Financial assistance to local bodies etc.- The following taxes are levied on behalf of Delhi Administration: (i) Land revenue; (ii) Stamp duties; (iii) State excise

duties; (iv) Sales tax; (v) Taxes on vehicles; (vi) Terminal tax; and (vii) Entertainment and betting taxes. Of these, the proceeds from taxes on vehicles, terminal tax and entertainment and betting taxes are assigned to the local bodies. A sum of Rs.55.31 crores was apportioned during 1989-90 to local bodies as under :-

	(in crores of rupees)			
	MCD	NDCM	DCB	Total
Taxes on vehicles	10.03	1.74	0.31	12.08
Entertainment tax	8.72	0.97	0.02	9.71
Betting tax	-	0.18	-	0.18
Terminal tax	31.88	1.01	0.45	33.34
Total	50.63	3.90	0.78	55.31

* Differs from the figure shown in last year's Report due to subsequent corrections made by Principal Pay and Accounts Office, Delhi Administration.

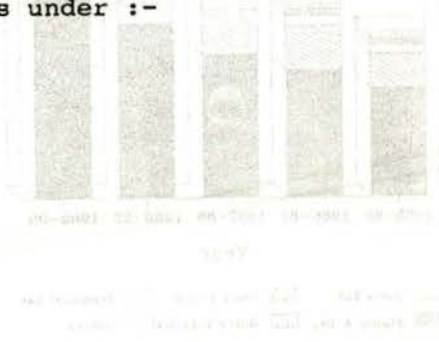
The terminal tax on goods in Delhi is levied and collected by the Municipal Corporation of Delhi, designated as the Delhi Terminal Tax Agency as per the provisions of Delhi Municipal Corporation Act, 1957. The MCD is paid collection charges for services rendered for such collections. Apart from tax proceeds, to meet their expenditure on general services and on education, health, urban development, etc., the local bodies and the DDA

receive substantial grants-in-aid and loans and advances from the various departments of Delhi Administration. Delhi Administration had allocated/ provided for grants-in-aid and loans and advances to the local bodies and Delhi Development Authority from its budget during the last three years ending March 1990 as under :-

Name of the bodies	Year	Grants-in-aid	Loans and Advances
(in crores of rupees)			
Municipal Corporation of Delhi	1987-88	107.36	250.22
	1988-89	142.00	248.42
	1989-90	167.09	282.10
New Delhi Municipal Committee	1987-88	7.53	10.76
	1988-89	15.70	18.76
	1989-90	16.71	13.72
Delhi Cantonment Board	1987-88	21.10	-
	1988-89	42.50	-
	1989-90	58.20	-
Delhi Development Authority	1987-88	33.29	1.35
	1988-89	15.29	-
	1989-90	18.80	-
Total	1987-88	169.28	262.33
	1988-89	215.49	267.18
	1989-90	260.80	295.82

Out of the loans and advances made to the local bodies and DDA, the position of the outstanding loans and advances against them as

on 31 March 1989 and 31 March 1990 was as under :-



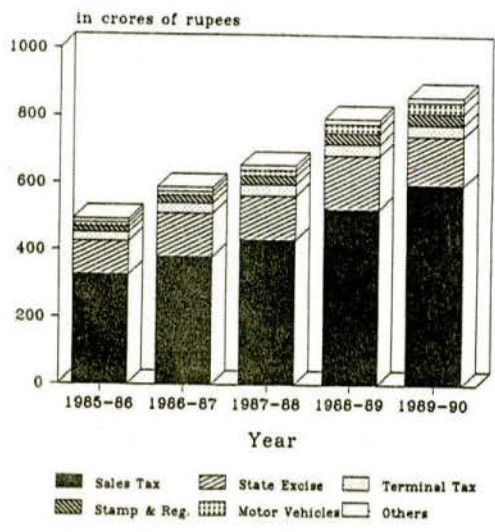
Name of body	(in crores of rupees)	
	Amount of loan outstanding	
	As on 31 March 1989	As on 31 March 1990
Municipal Corporation of Delhi	534.27	707.01
New Delhi Municipal Committee	56.75	67.33
Delhi Development Authority	46.73	38.69
Total	637.75	813.03

1.2.3 Revenue receipts.- During the year 1989-90, total receipts of Delhi Administration amounted to Rs.892.80 crores comprising tax revenue of Rs.859.76 crores and non-tax revenue of Rs.33.04 crores showing an overall increase of 8.43 per cent and 59.85 per cent respectively over the last year's receipt. The major tax revenue is from the Sales tax which has grown from Rs.524.59 crores in 1988-89 to Rs.597.96 crores in 1989-90.

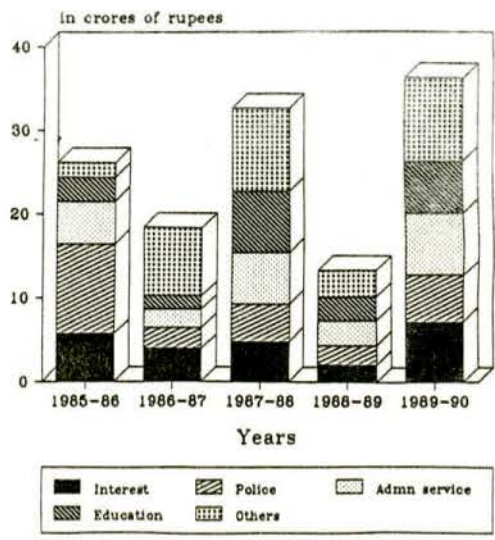
The tax revenue during the year 1989-90 accounted for 96 per cent of the total revenue receipts of Delhi Administration.

1.2.4 Analysis of revenue receipts .- An analysis of the receipts during 1989-90, alongwith the corresponding figures for the preceding four years, is given below :-

**Growth-Tax Revenue
Seventh Plan-1985-90**



**Non Tax Revenue
Seventh Plan 1985-90**



(in crores of rupees)					
	1985-86	1986-87	1987-88	1988-89	1989-90
I. Revenue raised					
by Delhi Administration					
(a) Tax Revenue	491.85	569.67	653.28	792.90	859.76
(b) Non-Tax Revenue	23.77	25.62	23.91	20.67	33.04
Total :	515.62	595.29	677.19	813.57	892.80
II. Expenditure of Delhi Administration from the Consolidated Fund of India					
	810.33	1,096.15	1,180.22	1,212.51	1,483.63
III. Percentage of revenue raised by Delhi Administration to the expenditure from the Consolidated Fund of India on Delhi Administration					
	64	54	57	67	60

The receipts of the Delhi Administration, if taken in isolation, can thus meet its expenditure by about 60 per cent only.

1.2.5 Tax revenue .- The tax revenue during the year 1989-90 vis-a-vis the budget estimates, alongside the corresponding figures for the preceding two years were :-

(in crores of rupees)				
Tax revenue	Year	Budget estimates	Actual receipts	Percentage increase(+) decrease(-) of actuals over budget estimates
Sales tax	1987-88	413.00	431.82	(+) 5
	1988-89	460.00	524.59	(+) 14
	1989-90	560.02	597.96	(+) 7
State excise	1987-88	121.00	131.43	(+) 9
	1988-89	133.20	159.40	(+) 20
	1989-90	158.01	145.07	(-) 8
Taxes on goods and passengers (Terminal tax)	1987-88	32.47	33.26	(+) 2
	1988-89	35.52	34.73	(-) 2
	1989-90	38.29	34.85	(-) 9

(in crores of rupees)

Tax revenue	Year	Budget estimates	Actual receipts	Percentage increase(+) decrease(-) of actuals over budget estimates
Stamp duty and Registration fees	1987-88	20.11	24.73	(+) 23
	1988-89	29.95	32.73	(+) 9
	1989-90	47.18	34.85	(-) 26
Taxes on motor vehicles	1987-88	17.81	18.58	(+) 4
	1988-89	22.14	27.07	(+) 22
	1989-90	30.05	31.59	(+) 5
Land revenue	1987-88	0.07	0.01	(-) 86
	1988-89	0.03	0.02	(-) 33
	1989-90	0.03	0.03	-
Other taxes and duties on commodities and services (including Entertainment tax)	1987-88	12.54	13.45	(+) 7
	1988-89	14.96	14.36	(-) 4
	1989-90	15.60	15.41	(-) 1
Total tax revenue	1987-88	617.00	653.28	(+) 6
	1988-89	695.80	792.90	(+) 14
	1989-90	849.18	859.76	(+) 1

1.2.6 Non-tax revenue :- The non-tax revenue of Rs.33.04 crores constituted four per cent of the total revenue (Rs.892.80 crores) raised by the Delhi Administration during the year 1989-90.

The position of non-tax revenue collected during the year vis-a-vis the budget estimates, alongwith the corresponding figures for 1987-88 and 1988-89, is shown below :-

(in crores of rupees)

Year	Budget estimates	Actual receipts	Variations increase	Percentage increase of actuals over the budget estimates
1987-88	15.05	23.91	8.86	59
1988-89	19.46	20.67	1.21	.6
1989-90	20.37	33.04	12.67	62

1.2.7 Analysis of non-tax revenue .- Non-tax revenue raised during 1989-90, alongwith the figures for the

two preceding years is given below:-

(in crores of rupees)

Nature of non-tax revenue	Amount collected			increase(+) decrease(-) as compared with 1988-89
	1987-88	1988-89	1989-90	
1. Interest	5.13	2.92	1.76	- 1.16
2. Police	2.25	1.60	8.16	+ 6.56
3. Public works	0.80	0.85	2.49	+ 1.64
4. Other administrative service	6.21	7.24	9.91	+ 2.67
5. Education, sports, art and culture	2.99	2.79	3.21	+ 0.42
6. Medical and public health	0.63	0.69	0.85	+ 0.16
7. Housing	0.87	1.06	1.04	- 0.02
8. Crop husbandry	0.33	0.39	0.60	+ 0.21
9. Village and small industries	2.38	1.05	0.94	- 0.11
10. Other general economic services	0.32	0.37	0.58	+ 0.21
11. Other heads	2.00	1.71	3.50	+ 1.79
Total	23.91	20.67	33.04	+12.37

The major sources of non-tax revenue are police, education, public works, housing, other administrative services, interest etc.

1.2.8 Cost of collection .- The overall cost of collection worked

out to one per cent of gross tax revenue collection during 1989-90 as had been during the two preceding years. The maximum percentage of cost of collection was in respect of taxes on goods and passengers (Terminal Tax) (eleven per cent)

followed by taxes on motor vehicles (four per cent).

1.2.9 Plan expenditure .- Against the proposed outlay of Rs.2,463.15 crores for the Seventh Five Year Plan (1985-90) by the Delhi Administration, the Planning Commission had approved an outlay of Rs.2,000 crores.

The plan outlay for the Union Territory of Delhi for 1989-90 was fixed at Rs.620 crores.

The total plan expenditure during 1985-90 was in excess by

Rs.630.96 crores over the approved outlay of Rs.2,000 crores.

1.2.10 Rush of expenditure in March .- The financial rules of Government enjoin that it is contrary to the interest of Government to spend money hastily or in an ill-considered manner just to avoid lapse of grant. Rush of expenditure in the closing months of a financial year is a breach of financial regularity. The table below reveals the extent of rush of expenditure by more than 25 per cent in each case by Delhi Administration during the year 1989-90 :-

Description of function	(In crores of rupees)			
	Total provision	Total expenditure	Expenditure during March	Percentage of expenditure
Urban development	265.49	256.23	159.04	62.7
Housing	22.87	22.77	8.98	39.44
Welfare of schedule caste, schedule tribes and other backward classes	3.12	2.96	1.24	42
Social security and welfare	20.56	20.03	5.12	26
Village and small industries	7.35	7.11	3.85	54
Transport	2.68	2.67	1.53	57.3
Flood control and drainage	16.32	14.28	5.35	37.46
Medical and public health	122.99	121.78	44.39	36.45
Water supply and sanitation	5.70	5.70	4.72	82.80
Nutrition	7.84	7.81	2.89	37
Non-conventional sources of energy	2.85	2.84	2.32	81.69

Description of function	(In crores of rupees)			
	Total provi- sion	Total expend- iture	Expend- iture during March	Percentage of expendi- ture
Other taxes and duties on commodities and services	3.74	3.74	1.27	33.95
Taxes on vehicles	3.07	2.43	0.84	34.57
Sports and youth services	4.58	4.16	1.49	35.82
Art and culture	5.19	4.75	1.12	36.21

1.2.11 **Expenditure on Revenue and Capital Accounts.-** During 1989-90, the expenditure on revenue and capital account (Rs.1,483.63 crores) was more by Rs.271.12 crores than in 1988-89 (Rs.1,212.51 crores) which in itself was more by Rs.32.29 crores than in 1987-88 (Rs.1,180.22 crores). There was more accurate budgeting during 1989-90 when the variation between the budget estimates and actual expenditure was only about one per cent as compared to 1988-89 when the variation was by about ten per cent.

There were under-utilisation of funds during 1989-90 in important sectors like, urban development by Rs.9.27 crores, medical and public health by Rs.1.22 crores, education, art and culture by Rs.1.20 crores, flood control and drainage by Rs.0.82 crore and social security and welfare by Rs.0.53 crore which were indicative of failure to make full use of resources.

CHAPTER-II

CIVIL DEPARTMENTS OF DELHI ADMINISTRATION

Registrar of Co-operative Societies

2. Co-operative Societies

2.1 Introduction

A co-operative is a formation of an organisation in which people voluntarily associate together on the basis of equality and for promotion of the common economic interest. It, therefore, seeks the regeneration of the community or a section of the community on the basis of mutual aid, thrift and self-help on democratic principles for economic and social upliftment of the members of the society.

In order to meet the specific needs of the Union Territory of Delhi, the Delhi Co-operative Societies Act, 1972 came into force in April 1973.

2.2 Scope of Audit

Records of the office of the Registrar of Co-operative Societies, Delhi Administration, relating to industrial, multipurpose package, urban thrift and credit, consumer co-operative and housing societies were test checked for the years 1985-86 to 1989-90 during January to July 1990.

Co-operative year commencing on 1 July and ending on 30 June prior to 1989 now coincides with the financial year with effect from the year ending 31 March 1989. This report reflects the facts and figures accordingly.

2.3 Organisational set up

Ministry of Agriculture, Department of Agriculture and Co-operation formulates policies and provides guidelines at the national level.

The Registrar of Co-operative Societies (Delhi Administration) has the over all responsibility for looking after the schemes for the development and promotion of the co-operative movement in Delhi. He is assisted by two Joint Registrars, and four Deputy Registrars and 12 Assistant Registrars and a complement of 404 gazetted and non-gazetted officials.

2.4 Highlights

- Out of 4,609 societies registered as on 31 March 1989 under the categories - industrial, urban, thrift and credit, consumer co-operative stores, house building and multipurpose package (rural) as many as 2,037 societies had not been working. No cause and effect analysis relating to the large number of societies not working was undertaken by the department.
- Share capital invested by the Delhi Administration in the societies was to be paid back in accordance with the terms and conditions of the investment. Recovery of Rs.48.52

lakhs on account of share capital had been outstanding as on 31 March 1990.

- Recovery of Rs.34.70 lakhs against loans and Rs.27.82 lakhs towards interest due thereon till 31 March 1990 had not been effected.
- Returns were not prescribed by the department for assessment and collection of dividend on profits declared by the societies. Dividend amounting to Rs.5.07 lakhs had not been recovered from two co-operative societies.
- Elections to the Managing Committees provided for in the bye-laws of the societies had not been held for a number of years in a large number of cases and the Registrar did

not take appropriate action as required under the rules.

- The financial stake of the Government in the co-operative movement is considerable. It is through audit scrutiny that the Registrar estimates the state of financial well being of a co-operative. Audit of only 24 per cent of the societies had been completed by the department during 1988-89. Recovery of audit fee of Rs.10.80 lakhs had also been outstanding against the societies. The arrears of audit fees were increasing every year.

2.5 Allocation of funds and expenditure

Yearwise details of allocation of funds and expenditure are shown in the table below:

(in lakhs of rupees)

Year	Budget estimates	Revised allotment	Expenditure
1985-86	209.52	265.14	264.62
1986-87	306.52	160.63	157.76
1987-88	336.75	435.92	433.06
1988-89	446.19	438.59	437.81
1989-90	564.00	541.70	538.04

It was seen that variations in expenditure during the period 1985-90 was mainly due to Administration's investment in the share capital of Delhi Co-operative Housing Finance Society Limited (DCHFS). The investment yearwise in the DCHFS was :-

1985-86	:	Rs.162 lakhs
1986-87	:	Rs.111 lakhs

1987-88	:	Rs.289 lakhs
1988-89	:	Rs.300 lakhs
1989-90	:	Rs.400 lakhs

2.6 Societies not working

As in March 1989 there were 6,618 societies registered under the Act as detailed below :-

Industrial	1,670
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Urban Thrift and Credit	1,126
Consumer Co-operative Stores	815
House Building	229
Group Housing	2,009
Multipurpose (package)	769
Total	6,618

multipurpose package (rural), 1,297 societies were under liquidation and 740 societies were defunct. Thus the number of societies not working as on 31 March 1989 under different categories ranged between 26 and 67 per cent as shown in the table below:-

Of the 4,609 societies under the categories-industrial, urban thrift and credit, consumer co-operative stores, house building and

Categories of societies	Industrial	Urban thrift and credit societies	Consumer co-operative stores	House building societies	Multi-purpose package (rural) societies	Total
Total number of societies	1,670	1,126	815	229	769	4,609
Number under liquidation	502	106	310	29	350	1,297
Number shown as working	1,168	1,020	505	200	419	3,312
Number declared as defunct	312	192	16	56	164	740
Number actually working after excluding defunct societies	856	828	489	144	255	2,572
Number not working after excluding defunct societies	814	298	326	85	514	2,037
Percentage of societies not working	49	26	40	37	67	44

The department stated in July 1990 that no cause and effect analysis relating to societies going into liquidation and declared as defunct had been undertaken.

2.7 Societies under liquidation

2.7.1 High percentage of societies under liquidation .- Liquidation forms part of the winding up procedure of a co-operative society under the Delhi Co-operative

Societies Act, 1972 and Delhi Co-operative Societies Rules, 1973. Tables below show the position of

societies under liquidation during the period 1985 to 1989.

Industrial Societies

Year (as on 30 June each year and 31 March 1989 and 1990)	No. of registered societies	No. of societies under liquidation	Percentage
1985	1,299	252	19
1986	1,591	494	31
1987	1,658	537	32
1988	1,682	531	32
1989	1,670	502	30
1990	1,680	500	30

Consumer Co-operative Stores

Year	No. of registered societies	No. of societies under liquidation	Percentage
1985	685	186	27
1986	709	300	42
1987	758	322	42
1988	803	318	40
1989	815	310	38
1990	820	353	43

Multipurpose Package (Rural) Societies

Year	No. of registered societies	No. of societies under liquidation	Percentage
1985	758	292	39
1986	748	281	38
1987	747	275	37
1988	771	364	47
1989	769	350	46
1990	801	406	51

It will be seen that the number of societies under liquidation is growing. The reasons for rather high percentage of societies going under liquidation were not investigated.

2.7.2 Societies kept under liquidation proceedings for abnormally long period.~ The Delhi Co-operative Societies Rules, 1973 lay down that winding up proceedings of a society shall be closed within one year from

the date of the order of winding up unless the period is extended by the Registrar. Further, the Registrar shall not grant any extension for a period exceeding six months at a time and three years in the aggregate and shall immediately after the expiry of three years from the date of the order for winding up deem that the liquidation proceedings have been terminated if there are no amounts due to the Government or the financing bank by the society, and pass an order terminating the liquidation proceedings.

Exact number of societies under liquidation for more than three years could not be ascertained as the department was not maintaining any centralised record with detailed particulars. The department stated that societies under liquidation were allotted to various liquidators as per orders from time to time and that liquidation files and records were maintained by the concerned liquidator. It was, however, seen from the statistical data compiled by the department that eight societies had been under liquidation for more than 15 years. 34 societies had been under liquidation for more than three years, though no amount was

due to Government or financial bank from these societies. The department stated in November 1990 that huge amounts had been outstanding against most of the societies and whereabouts of the ex-office bearers were not available with the department. Because of non-recovery of outstanding amounts, the liquidation proceedings were not finalised. The department had, however, finalised 32 and 25 cases during 1988 and 1989 and 302 cases during 1990.

2.8 Outstanding share capital

The Administration invests in co-operative societies to strengthen their share capital base. The share capital is required to be paid back to the Administration as per refund schedule specified in the sanction. Requisite details of sanctions issued and amounts due for recovery were not made available to Audit. The Department stated in April 1990 that it was not possible to provide the information as the accounts prior to 1988-89 were not kept yearwise.

Lumpsum dues outstanding as on 31 March 1990 were reported as under :-

(In lakhs of rupees)

Category of societies	Share capital outstanding
Industrial	4.28
Co-operative Stores	33.23
Package	11.01
Total	48.52

The department stated that these figures were collected from the records available in the department and that these might not reflect complete true position.

Out of Rs.48.52 lakhs, Rs.42.76 lakhs were due from working societies including Rs.16.65 lakhs from Delhi Consumer Co-operative Whole Sale Store Limited and Rs.6.16 lakhs from the Co-operative Store Limited New Delhi (Super Bazar) and

Rs.5.76 lakhs from societies under liquidation proceedings.

The department stated in April 1990 that instructions had been issued to effect recovery of the outstanding amounts as arrears of land revenue, if found necessary.

2.9 Outstanding loans

Delhi Administration sanctions loans to co-operative societies to

help them tide over financial difficulties. These loans were repayable to the Administration as per the terms and conditions specified in the sanction letter.

Table below shows details of outstanding loans against various categories of societies since 1957-58.

Category of Societies	(in lakhs of rupees)	
	Amount	Interest due
Package Societies	2.10	
Industrial Societies	5.15	
Co-operative Stores	27.45	
Total	34.70	27.82

These loans were due for repayment on the expiry of specified period.

Of Rs.34.70 lakhs outstanding for recovery, Rs.4.20 lakhs pertained to the societies under liquidation. It was, however, observed that the figures for loans mentioned in official compilation "Facts and figures" for the same period were Rs.37.28 lakhs. Difference of Rs.2.58 lakhs remained unexplained.

The department stated that the amounts due would first be recovered in normal course failing which provision for recovering the amount as arrear of land revenue would be resorted to.

2.10 Outstanding dividend

The Delhi Co-operative Societies Act, 1972 and Delhi Co-operative Societies Rules, 1973, provide for distribution of profits of a co-operative society to its share holders as dividend. No returns were prescribed by the department for regular collection of dividend on Government investment from the societies earning profits nor were systematic records kept on this account.

It was noticed that Central Government Employees Consumer Co-operative Store (Kendriya Bhandar) and Delhi Co-operative Fruit and Vegetable Consumer Federation Limited, Mehrauli had declared profits. Dividend as under had become due to the Administration from them.

Year	Amount due (in lakhs of rupees)
1986-87	1.41
1987-88	3.44
1988-89	0.22
Total	5.07

The dividend due had not been recovered nor was there any record to show whether any action was taken to recover the dues.

Position relating to holding of elections in the co-operative societies as at the end of March 1990 as reported by the Registrar was as under :-

2.11 Elections

Category of societies	No. of societies working	No. of societies holding elections on time	No. of societies which did not hold elections within the prescribed period
Package societies	395	256	139
Co-operative stores	481	256	225
Group Housing societies	1,941	943	998
Urban Thrift and Credit societies	749	601	148

It was further seen that 30 of the package and 40 of the co-operative stores had not held elections for four years and 16 of the package, 85 stores, 381 group housing societies and 150 of urban thrift and credit societies had not held elections for more than five years, and 432 of the group housing societies had not held elections since their inception as at the end of February 1990. As per provision,

in the rules, in cases where a society fails to conduct election of its committee within the prescribed period, the Registrar is empowered to get the election of a committee conducted through an election officer appointed by him. The large number of societies not holding elections indicated that the powers vested in the Registrar were not being effectively used to ensure

democratic functioning of the societies.

2.12 Audit in arrears

2.12.1 The Delhi Co-operative Societies Act, 1972, provides that the Registrar shall audit or cause

to be audited the accounts of every co-operative society at least once in each year. Details of audit conducted are given in the table below :-

Year	No. of registered societies	No. of societies audited	Percentage of societies audited
1984-85	5,980	1,255	21
1985-86	6,326	3,193	50
1986-87	6,476	2,173	34
1987-88	6,601	2,011	30
1988-89	6,618	1,620	24

It was observed that quite a large number of societies had not been audited for a number of years resulting in considerably heavy arrears. The department stated in March 1990 that 591 societies remained unaudited for three years and 1,701 societies for four years and more. While elaborating reasons for societies not audited for four years and more, the department further stated that about 900 societies were either defunct or traceless.

The co-operative movement owes its origin and development to the initiative, guidance and help of the State and this accounts for the Registrar being solely responsible for audit of co-operatives. It is through audit scrutiny that he

measures the state of the financial well being of a co-operative. This explains the statutory emphasis on audit at least once in each year. The huge pendency was not only negating the statutory provision but also was fraught with the possibility of serious irregularities. Thus the main purpose of prevention and detection of errors and frauds stood jeopardised in respect of societies remaining out of audit scrutiny for long.

2.12.2 The Delhi Co-operative Societies Rules, 1973, provide that a co-operative society shall pay on or before 31 March of each year an audit fee at such rates as may be fixed by the Registrar. There were heavy arrears of outstanding audit fee as detailed below :-

(in lakhs of rupees)					
Year	Fee due as per opening balance	Assessment for the year	Total	Recovered during the year	Closing balance
1984-85	7.00	3.70	10.70	4.30	6.40
1985-86	6.40	5.70	12.10	4.00	8.10
1986-87	8.10	4.30	12.40	3.80	8.60
1987-88	8.60	5.80	14.40	4.00	10.40
1988-89	10.40	4.50	14.90	4.10	10.80

The department stated in April 1990 that there was no provision for penalties for non payment of dues. This had caused heavy arrears. The department did not elaborate steps taken to provide for the remedial measures statutory or otherwise.

2.13 Departmental manual

The Delhi Co-operative Societies Act, 1972, and the rules made thereunder came into force in 1973 and yet the department had no manual for the guidance of all concerned which was essential for coordination and uniformity of action.

The matter was referred to Delhi Administration and the Ministry of Agriculture in September 1990. The Ministry stated in March 1991 that they had no comment to offer and requested Audit to obtain the view of Delhi Administration on the review. No reply has, however, been received from the Delhi Administration (March 1991).

3. Delhi Energy Development Agency

3.1 Introduction

In order to implement energy schemes both in the rural and the urban areas, Delhi Energy Development Agency (Agency) was established by Delhi Administration in February 1984 under the Societies Registration Act, 1860. The main aims and objectives of the Agency are to:

- (i) identify the beneficiaries and their problems with regard to energy in the Union Territory of Delhi;
- (ii) draw up model plans for the investments, and execution of integrated energy programmes;
- (iii) execute various pilot projects of non-conventional and conventional energy sources;
- (iv) organise and arrange supplies of energy devices like solar cookers, wind mills, biogas plants and other energy saving equipments; and
- (v) arrange and organise extension and demonstration services to educate the public about uses and working of different types of energy systems and devices.

3.2 Scope of Audit

The records of the Agency from 1983-84 to 1989-90 were test checked in Audit during May to July 1990 under Section 14(1) of the Comptroller and Auditor General (Duties, Powers and Conditions of Service) Act, 1971.

A draft review was issued to the Ministry of Energy/Delhi Administration in September 1990. Reply has not been received (February 1991).

3.3 Organisational set up

Delhi Energy Development Agency is managed by a Governing Body consisting of Chairman and seven members. The Development Commissioner, Delhi Administration is the Chairman, and Director of the Agency is the member secretary of the Governing Body. The other members are from the Government of India, Delhi Administration, Municipal Corporation of Delhi, State Bank of India and the Delhi Co-operative Bank. The State Bank of India and the Delhi Co-operative Banks were expected to provide assistance where necessary and the Municipal Corporation of Delhi was to facilitate the activities of the Agency.

3.4 Highlights

- The affairs of the Delhi Energy Development Agency were to be managed by a General Body and Governing Body. However, the General Body was never constituted and the Governing Body decided to act as the General Body. The meetings of the Governing Body were also not held regularly because of insufficient agenda items.

- The proposals for claiming grants from Government of India and Delhi Administration were not realistic, as such there were savings every year ranging from rupees eight lakhs to Rs.141 lakhs except in 1988-89. At the end of March 1990, Rs.299 lakhs was lying in fixed deposits.

- Delhi Administration aimed at covering 70 per cent of Delhi's population (about seven lakhs families) to adopt improved and non-conventional sources of energy at the end of the Seventh Plan. There was no record to indicate the number of families which were adopting the improved and non-conventional sources of energy.

- As many as 631 solar cookers and 134 domestic solar water heating systems worth Rs.13.35 lakhs were distributed by the Agency free of cost for demonstration purposes, on which a subsidy of Rs.5.89 lakhs was obtained from the Government of India and the Delhi Administration. However, there was no feed back relating to the performance of these devices.

- The surveys conducted by the Agency during 1988-89 indicated that only 25 per cent of the 159 biogas plants, 31 per cent of the 115 domestic solar water heating systems and 62 per cent of the 95 wind mills were working satisfactorily. The subsidies utilised particularly Rs.4.47 lakhs on 119 biogas plants which were not working was unproductive.

- Out of the five biogas engines purchased at a cost of Rs.2.50 lakhs during 1985-86 and 1986-

- 87, only one had been installed for demonstration. The remaining four had been lying idle (November 1990).
- Government of India released Rs.3.50 lakhs and Rs.0.90 lakh for conducting demonstration - cum- training programme for the popularisation of solar cookers and for the training of construction of biogas plants respectively. No training was provided in respect of biogas plants and there were no records relating to training or demonstration of solar cookers.
 - A sum of Rs.15.71 lakhs due from the beneficiaries of biogas plants and domestic solar water heating systems for the period 1984-89 had not been recovered.
 - Procedure had not been evolved for monitoring and collection of energy saving data from the users of solar water heating systems installed by the Agency.
 - Out of 30 tropicultors (improved bullock carts) purchased, at a cost of Rs.3.38 lakhs in 1983-84, only two were sold. 22 tropicultors were defective.
 - Out of the three wind generators purchased at a cost of Rs.4.80 lakhs in 1985-86 and 1986-87, only one generator was installed and that too had not been working from June 1987. The remaining two generators had been lying idle. One solar thermal pump purchased at a cost of Rs.4.50 lakhs for drawing water and installed for demonstration purpose had not been working from March 1989.
 - Out of the 1,643 solar stills purchased and installed at a cost of Rs.18.84 lakhs for providing distilled water, 500 solar stills valuing Rs.5.70 lakhs had been lying broken/damaged and had not been repaired.
 - The Agency entered into an agreement with a doctor from Patna for setting up a 300 KW power generator plant based on his newly developed technology. The Agency did not verify the antecedents and claims of the inventor for producing gas power from cellulosic wastes. The claims of the inventor could not be proved and the project had been abandoned in February 1988. Thus the entire expenditure of Rs.10.87 lakhs on the project incurred by the Agency had been infructuous.
 - As a measure to control pollution and provide noiseless mode of transport in the congested areas of Delhi, a regular battery bus service known as 'electravan' was introduced by the Agency in June 1985.
 - As on 31 December 1989 the Agency had a fleet of 101 buses. Against the average run of 60 kms projected by the Agency, the average run per day per bus ranged from 8.43 to 17.14 kilometers from June 1985 to December 1989. On an average 60 to 70 per cent of the buses had been off the road since inception of the scheme mainly due to non-availability of parking facilities and charging stations.
 - Frequent failure of chopper controllers also contributed

to poor performance of buses. Of 75 to 105 choppers, 43 to 63 remained with BHEL for repairs from May 1988 to February 1990.

- Though the supply of buses to the Agency was gradual during 1985-90, effective steps were not taken to provide adequate parking facilities and to solve the problem of frequent failure of chopper controllers. With a view to make the scheme a success, necessary infrastructure needed has to be developed.
- Though with the modification of the buses and with provision of extra battery in each bus, there was an improvement in the kilometer run yet 21 modified buses were not provided with an extra battery each reportedly due to the non-availability of batteries. The records revealed that the Agency had purchased 30 batteries during July to October 1989 which remained unutilised.
- Failure to obtain exemption from Central Excise duty resulted in avoidable payment of Rs.8.46 lakhs.
- 43 sets of traction batteries costing Rs.22.70 lakhs had become unserviceable as these were lying disused for periods ranging from 40 to 57 months.
- During 1986-87, revenue realised on account of sale of tickets was short credited to Agency's account by Rs.1.01 lakhs.
- There was a fire at Loni Road Depot in November 1986 resulting in loss of cash and valuables. Neither First

Information Report was lodged with the police nor any records relating to the loss were available with the Agency.

- The battery bus service scheme as conceived was economically viable envisaging a profit of Rs.15 per bus per day. However, due to lack of infrastructure and proper supervision, the Agency had sustained losses to the extent of Rs.124.98 lakhs as on 31 March 1989.

3.5 Non-constitution of General Body

3.5.1 The rules and regulations of the Agency originally framed along with the Memorandum of Association specified that there should be a General Body, the meetings of which should be held after every one year. However, the General Body of the Agency was never constituted. In March 1989 the Governing Body decided that there was no need for a General Body and that the Governing Body might be treated as the General Body.

3.5.2 The Governing Body which was to meet once in a month upto March 1989 and thereafter once in three months had met only 22 times against the requirement of 64 meetings during 1983-84 to 1989-90. The Agency stated (June 1990) that the Governing Body did not meet for the required number of times because of insufficient agenda items.

3.6 Financial position

As per records made available to Audit, the receipt of funds from Government of India and Delhi Administration and the expenditure incurred (exclusive of Battery Bus Service) during 1983-84 to 1989-90 were as under :

Year	Funds received from						
	Government of India	Delhi Administration	Amount received from beneficiaries	Total receipts	Total expenditure	Amount unutilised	Percentage of grant unutilised
(in lakhs of rupees)							
1983-84	6.90	10.00	0.58	17.48	9.13	8.35	48
1984-85	20.49	65.00	6.65	92.14	67.21	24.93	27
1985-86	138.75	205.00	14.75	358.50	217.41	141.09	39
1986-87	50.76	219.98	22.62	293.36	243.92	49.44	17
1987-88	58.14	148.00	23.42	229.56	170.49	59.07	26
1988-89	85.12	165.00	29.50	279.62	303.70	-24.08	-
1989-90	43.70	357.70	-	401.40	325.02	76.38	19
Total	403.86	1,170.68	97.52	1,672.06	1,336.88	335.18	

The Agency had invested savings ranging from Rs.21.45 lakhs to Rs.299 lakhs in fixed deposits during 1984-85 to 1989-90 and earned interest of Rs.39.39 lakhs

The Agency as a practice invested savings, each year, in fixed deposits, the period of fixed deposit varying from about two and half months to one year. At the end of 1989-90, Rs. 299 lakhs were lying in fixed deposits. It was thus obvious that unrealistic proposals were made for claiming the grants from the Government of India/Delhi Administration and the grants were not being utilised for the purpose for which these were sanctioned. Government of India and the Delhi Administration also did not monitor at the time of releasing the subsequent grant to ensure that funds released earlier were properly utilised.

The Agency stated (January 1991) that the grants were deposited in fixed deposits as the activities of the Agency were such that payment to the suppliers could

not be made in certain cases without observing the performance of the devices for one year.

3.7 Implementation of schemes

3.7.1 As per the estimates of Delhi Administration, in 1983-84, Delhi had 10 lakhs families. Delhi Administration had hoped that by the end of the Seventh Plan, 70 per cent of Delhi's population would be benefited by the improved and the new conventional and non-conventional sources of energy, including solar energy equipments. The Agency had no record to indicate the number of families adopting the improved and the new conventional and non-conventional sources of energy. Thus no evaluation mechanism was developed to assess the extent of success of the energy development effort of the Agency. The scale of activities of the Agency was limited and it could not cover 70 per cent of Delhi's population.

3.7.2 The main schemes of the Agency were Integrated Rural Energy Programme (IREP) and Non-conven-

tional Urban Energy Programme (NCUEP). The scheme of IREP was introduced by the Planning Commission which provided the framework for investment planning and optimum allocation of resources for meeting rural energy needs in a cost effective manner through the cost mix of various energy programmes. The scheme of NCUEP provided the use of non-conventional energy devices in urban areas for saving conventional energy. Under these two schemes, the sale/installation of various solar or other devices was carried out.

subsidized rates was started by the Agency in 1983-84. The Agency was getting subsidy at Rs.150 per solar cooker from Government of India and 40 per cent of the cost of cooker minus subsidy was met by the Agency out of funds provided by Delhi Administration under IREP and NCUEP schemes. The yearwise subsidy received from Government of India, Department of Non-Conventional Energy Sources (DNES), expenditure met by the Agency and targets and achievements during 1983-84 to 1989-90 were as under :-

3.7.3 Sale of solar cooker .- The scheme of sale of solar cooker at

Year	Amount of subsidy received (in lakhs of Rupees)	Expenditure met by the Agency	Target	Achievement
1983-84	2.00	0.21	200	71
1984-85	2.25	6.42	2,400	649
1985-86	0.82	5.28	4,000	1,883
1986-87	2.32	5.78	4,500	2,348
1987-88	4.17	6.76	4,500	3,427
1988-89	4.19	9.16	4,500	3,440
1989-90	0.90	9.66	4,500	3,594
Total	16.65	43.27	24,600	15,412

Though sale of solar cooker was subsidised by 40 per cent, the achievement figures would indicate that despite the subsidy, the Agency failed to popularise the device. Further, it was seen that out of 508 solar cookers lying in stock (December 1990), 372 solar cookers valuing Rs.2.27 lakhs were defective (November 1990).

The Agency stated (January 1991) that the target of 15,412 cookers could be achieved inspite of the fact that it was at the initial stages of popularisation. It added that due to long storage and hauling

from one place to another, the glasses of solar cookers were broken.

The Agency, for demonstration purposes, distributed 631 solar cookers, costing Rs.4.39 lakhs, during 1984-90 free of cost. The Agency obtained a subsidy of Rs.0.95 lakh and Rs.1.38 lakhs from DNES and Delhi Administration respectively for these cookers. It was noticed that there was no feedback on the use of these cookers.

It was noticed that one of the conditions for the sale of solar

cooker was that the implementing agency should get proper feed back from the users of the cookers and there should be training programmes for village artisans for repair of cookers. The Agency did not have any such programme. The Government of India, however, conducted sample surveys in 1988 and 1989 in respect of solar cookers sold by the Agency, but such reports were not available with the Agency. In order to know the genuineness of the sale of solar cookers, sale inspection from October 1988 was done by the Agency. The reports in respect of inspection of 2,460 cookers sold during 1989-90 revealed that in the case of 201 cookers either the beneficiaries refused to have bought the cooker or their addresses were wrong. The report of checking done in respect of sale of cookers during October 1988 to March 1989 was not made available to Audit (November 1990).

The Agency stated (January 1991) that in the second checking there were only 30 to 40 cases where the beneficiaries could not be found.

In March 1984, Government of India (DNES) sanctioned Rs.4.43 lakhs for undertaking training- cum- demonstration programme for popularisation of solar cookers and released rupees two lakhs for the purpose. The Agency did not engage a training officer who was to be appointed on a salary of Rs.1,500 p.m. for one year. There was no record to show the number of training classes held or the number of demonstrations made, though the utilisation certificates furnished to DNES showed an expenditure of Rs.1.40 lakhs against the release of rupees two lakhs. The balance of Rs.0.60 lakh was also got adjusted against the subsidy due on account of sale of solar cookers for 1985-86. In August 1986, Government of India again released Rs.1.50 lakhs.

The Agency had also obtained subsidy of Rs.4.19 lakhs and Rs.0.90 lakh for 1988-89 and 1989-90 respectively, without submitting the utilisation certificate.

3.7.4 Installation of biogas plant.- The Agency in 1984 began a scheme to popularise the installation of biogas plant. The scheme envisaged a central subsidy at specified rates for varying capacities of plants. The Agency raised the quantum of subsidy and received grant-in-aid accordingly from Delhi Administration. In all, between 1983-84 and 1989-90, the Agency had spent the subsidy of Rs.4.73 lakhs, received from DNES and Rs.26.14 lakhs provided by Delhi Administration. The Agency had planned construction of 680 biogas plants during 1983-84 to 1989-90 but was able to construct 318 plants.

The Agency stated (June 1990) that the shortfall was due to urbanisation, less number of cattle, high cost of land and availability of LPG gas. A sum of Rs.6.19 lakhs remained unrecovered from the beneficiaries. In 100 cases the beneficiaries were not sanctioned bank loans, on account of the Agency's failure to give the completion certificates. This directly led to non-recovery of share amounting to Rs.4.73 lakhs from the beneficiaries. In 29 cases the non-recovery of the share amounting to Rs.1.46 lakhs was, as stated by the Agency, on account of banks not sanctioning the loan inspite of possessing completion certificates from the Agency.

The Agency stated (January 1991) that even after completion of the plants, the beneficiaries did not complete the papers and submit them to the bank. It was, therefore, decided that tripartite agreement should be executed among the Agency,

bank and beneficiary for facilitating the recovery.

The Government of India sanctioned grant of Rs.0.90 lakh (1984-86) for providing refresher training course and construction-cum-maintenance training course. No training programme was carried out and the amount was refunded in December 1990.

The survey of 159 out of 233 plants (installed during 1983-88) conducted by the Agency in 1988-89 revealed that only 40 plants (25 per cent) had been working. The remaining 119 plants had not been functioning and subsidy of Rs.4.47 lakhs paid for these plants was thus rendered infructuous.

The Agency stated (January 1991) that due to rapid urbanisation, decreasing number of cattle heads, acquisition of LPG connections, diminishing agriculture land, the plants which had been functioning just after their installation had become redundant.

3.7.5 Community biogas plants.- The scheme also envisaged construction of community biogas plants with a capacity of 45 cu.m. and above, for meeting the fuel need of 25 and more families. For claiming the subsidy for the construction of community biogas plants, approval from DNES was to be obtained. During 1985-86, the Agency constructed six community biogas plants of 60 cu.m. at a total cost of Rs.9.31 lakhs without taking approval from DNES or the Delhi Administration. The expenditure on these plants was met from funds provided by the Delhi Administration for other energy schemes. Four plants were constructed at a cost of Rs.1.95 lakhs without inviting tenders. The Agency stated (January 1991) that tenders for construction were not invited in order to save time and that *ex post*

facto sanction had now been taken for the expenditure. Four of the six plants for which defective gas holders were purchased at a cost of rupees two lakhs stopped working from October 1988 due to leakage. The gas holders in three plants were replaced by incurring an extra expenditure of Rs.1.71 lakhs. The three plants started working from April 1989, March 1990 and October 1990 respectively but the fourth plant has still not started working (November 1990) due to the non supply of the gas holder.

The Agency also constructed 25 other small biogas plants and one latrine based plant at a cost of Rs.5.22 lakhs in six villages during 1985-86 to 1989-90 under the community biogas scheme. Out of these 26 plants, six plants were not working; three remained idle owing to non-supply of holders and another three due to lack of initial feeding (November 1990).

The Agency purchased five biogas engines for Rs.2.50 lakhs in 1985-86 and 1986-87. Except one set which had been installed in the Energy Complex, Libaspur, all other engines had been lying idle; three since the date of purchase and one since September 1989.

The Agency stated (January 1991) that biogas engines (generating sets) were expected to be used in Gazipur Complex by converting residual gas into electricity.

3.7.6 Solar water heating system .- The scheme of installation of solar water heating system was started during 1983-84. Government of India allowed subsidy at varying rates to different categories of users of the system. The remaining cost was to be borne by the beneficiaries. The Agency also shared 16.67 per cent upto 1987-88 and 20 per cent from 1988-89 of the cost of institutional

systems and Rs.1,500 on domestic systems out of the funds provided by the Delhi Administration under IREP/NCUEP. Out of 580 domestic systems installed during 1983-84 to 1989-90, 134 systems costing Rs.8.96 lakhs were installed without obtaining the beneficiaries share of Rs.3.22 lakhs. Of these, 34 systems costing Rs.2.58 lakhs did not even have the approval of the Governing Body. These installations were stated to have been done for demonstration purposes. However, there was no policy for selecting the residences for installation of these systems for demonstration purposes. The persons in whose residences these systems were installed included members of the Governing Body. The Agency stated (January 1991) that *ex post facto* approval of the chairman would be obtained.

To obtain some feed back, in February and December 1989, the Agency sent 45 and 240 cards respectively to the users to know the performance of systems installed. Out of 18 cards received the performance of one of the systems was shown excellent, six very good, five satisfactory, one good and four poor. One user could not ascertain the performance. No reply from 267 users was received (November 1990).

However, a survey report (April 1986) conducted at the instance of DNES by the Indian Association for the Advancement of Science brought out that out of 115 systems surveyed, only 36 (31 per cent) were working satisfactorily. The survey indicated that many of the faults could have been avoided if guidelines issued by DNES on systems were adhered to. However, no follow up action had been taken by the Agency (July 1990).

It was noticed that out of Rs.13.44 lakhs due to be recovered in respect of the installation of 17 institutional systems, the Agency had recovered Rs.3.92 lakhs and balance of Rs.9.52 lakhs remained to be recovered (January 1991).

One of the conditions prescribed in the grant of Government of India for installation of the systems was that the implementing agency was to monitor the functioning of systems for a period of over five years and to collect data on saving of energy. However, no procedure was evolved for monitoring and collection of energy saving data from the users.

3.7.7 Sale of tropicultors .- During 1983-84, the Agency purchased 30 tropicultors with cart frame (improved bullock carts) at a cost of Rs.3.38 lakhs under IREP. The Agency sold two tropicultors upto 1984-85 at subsidised rate. The remaining 28 tropicultors valuing Rs.3.16 lakhs had been lying in stock. However, stock position shown to Audit (July 1990) indicated that 22 tropicultors were defective. The expenditure on these tropicultors became infructuous.

The Agency stated (January 1991) that the matter regarding disposal of tropicultors was under consideration.

3.7.8 Non working of solar thermal pump and wind generators .- To provide electric connection and lift water, the Agency purchased three wind generators at a cost of Rs.4.80 lakhs and one solar thermal pump at a cost of Rs.4.50 lakhs during 1985-86 and 1986-87. Out of the three, one wind generator was installed in Kanganheri Energy Complex for demonstration which had not been working since June 1987. The other two wind generators though installed in January 1988 had not been

commissioned (January 1991). The solar thermal pump installed in Bakoli for demonstration purpose was also not working since March 1989 (December 1990). The Agency stated (January 1991) that the generator had gone out of order due to a storm and the pump was under rectification.

3.7.9 Installation of solar stills.- The scheme of installation of solar stills was started by the Agency in 1984-85. Solar stills is a device from which distilled water can be obtained. The Government of India provided cent per cent subsidy for the purchase of solar stills. In all 1,643 solar stills were purchased and installed at a cost of Rs.18.84 lakhs, including a subsidy of Rs.13.64 lakhs.

All these solar stills were installed in energy complexes for demonstration purposes and for providing distilled water for the battery bus service.

Out of the 1,643 solar stills installed, 500 solar stills valuing Rs.5.70 lakhs had been lying broken/damaged since 1987-88 and 1988-89. The Governing Body in its meeting in October 1989 approved the repairing of these stills.

The Agency stated (January 1991) that breakage of stills was mainly due to stormy wind and fire in a battery bus depot and action for their repair had been initiated.

3.7.10 Installation of wind mills.- Installation of wind mills was started in 1983-84. Up to 1984-85, the wind mills were provided by DNES and the expenditure on civil works was met by the Agency. From 1985-86 DNES issued sanction for Rs.3.80 lakhs for the purchase of 25 wind mills by the Agency. The Agency was to bear 40 per cent of the expenditure on the civil works and

the remaining 60 per cent was to be borne by the beneficiaries. It was seen that against the target of 110, only 95 wind mills had been installed during 1983-84 to 1989-90 at a cost of Rs.18.04 lakhs of which Rs.5.23 lakhs had been received as grant-in-aid from DNES. 52 of the 95 wind mills were installed for demonstration purposes in energy complexes of the Agency or Government offices/departments and the remaining 43 wind mills were installed in private firms.

Though survey on the working of wind mills had been conducted by the officers of DNES from time to time, yet no report of survey was available with the Agency. However, the inspection of wind mills conducted by the Agency (July 1990) revealed that out of the 95 wind mills installed upto March 1990, 59 wind mills (62 per cent) were working and the remaining 36 wind mills were not working.

The Agency stated (January 1991) that six wind mills had since been repaired, five were under repair and remaining 25 were irreparable.

3.8 Synpyrol project

On the claim of a doctor/inventor that he had developed a new technology of producing gas/power from cellulosic wastes, the Agency entered into an agreement with him to set up a 300 KW power gas generation plant based on his technology. The plant never came up. The expenditure of Rs.10.87 lakhs incurred on the project proved infructuous. The details of the case are given below:-

In March 1986 a doctor/inventor from Patna who claimed development of a new technology, termed by him as synpyrol for producing gas/power from cellulosic

wastes, approached the Agency with a proposal to set up 300 kw power generation plant based on his technology on a pilot basis. The estimated cost of the project was Rs.28.73 lakhs. The Agency approached DNES in March 1986 for the approval of the project as a joint project of the Agency and DNES. In their letter of March 1986 DNES while reacting favourably to the proposal advised the Agency to safeguard Government's interest and send back the proposal to them for examination along with the reply to the points raised thereon. The Agency deputed a team of three officers in April 1986 to Buxar to know the technology of the plant being run by the inventor. The team, however, did not submit any report.

The Agency, without the final approval from DNES, entered into an agreement with the inventor in April 1986 in which it was, *inter alia*, agreed that Rs.10 lakhs would be paid by the Agency to the inventor for supplying the machinery by him.

In May 1986, the Agency made an advance of Rs. 2.50 lakhs on the basis of the resolution of the Board of Directors of the firm owned by the inventor stating that the firm undertook the guarantee of the inventor for advance he was taking from the Agency. The financial position of the firm was, however, not examined by the Agency. The Agency set up a project at Bakoli, Delhi and incurred an expenditure of Rs.10.87 lakhs during May 1986 to February 1987 including payment of Rs.6.85 lakhs made to the inventor on account of purchase of plant and machinery by him, cost of construction of a shed: Rs.2.19 lakhs and electrification of project: Rs.0.94 lakh. The plant, however, did not start functioning and no electricity had been generated.

In order to examine the technology, feasibility and the viability of the project, the Agency constituted in October 1987 a technical committee, consisting of scientists from Pune, Dehradun, Bombay and Delhi as well as officers of DNES and the Agency. The members of the committee were not convinced about the technical feasibility of the invention. The Agency also sent its project officer to ascertain the status of similar projects of the inventor at other places. The report of the project officer indicated that the synpyrol project of the inventor was not functioning anywhere. The project was abandoned in February 1988. The assets supplied/installed by the inventor had been lying idle and some of them lying in open had been damaged. Thus the claims of the inventor could not be proved and the entire expenditure of Rs.10.87 lakhs on the project which had been incurred in haste by the Agency had become infructuous.

The Agency stated (January 1991) that the matter regarding legal proceedings against the inventor was being examined in consultation with legal adviser.

3.9 IREP planning cells

In order to develop planning and institutional capabilities in the State/Union Territories at the state, district and block levels for preparing and implementing area based rural energy plans, Planning Commission approved setting up of integrated rural and energy planning cells.

The Agency had created a cell in Alipur block during 1983-84 and Najafgarh, Nangloi, Mehrauli and Shahdara in 1984-85. In 1987-88 and 1988-89, Planning Commission reimbursed the Agency Rs.1.45 lakhs and Rs.2.13 lakhs respectively for

setting up the IREP planning cells. However, project report for none of the projects has been prepared even after five to six years.

The Agency stated (January 1991) that survey of Najafgarh block was under progress and the report of Alipur block was under review.

3.10 Battery bus service

3.10.1 As a measure to control pollution and provide noiseless mode of transport in the congested areas of Delhi, the Department of Non-Conventional Energy Sources (DNES),

Ministry of Energy provided one battery bus known as "electravan" in February 1985 to the Agency for monitoring its performance. Thereafter a regular bus service was introduced by the Agency in June 1985.

3.10.2 *Financing of the scheme* .- The scheme envisaged financing on a 50:50 basis by the Agency and DNES. The details of grants received and expenditure incurred during 1985-86 to 1989-90 were as under :-

(in lakhs of rupees)

Year	Grants from DNES	Grants from Delhi Administration	Miscellaneous receipts	Expenditure incurred	Balance unutilised
1985-86	35.00	100.00	3.65	32.55	106.10
1986-87	10.00	133.00	12.40	52.01	103.39
1987-88	5.00	10.00	23.18	61.95	(-)23.77
1988-89	32.00	25.00	30.94	83.65	4.29
1989-90*	Nil	232.00	27.36	110.32	149.04
Total	82.00	500.00	97.53	340.48	339.05

*Provisional

During five years ending March 1990, DNES released grant of Rs.82 lakhs against its share of Rs.170.24 lakhs of the total expenditure of Rs.340.48 lakhs.

3.10.3 *Plying of battery buses* .- The Agency placed an order with Bharat Heavy Electricals Limited (BHEL) in June 1985 for supply of 50 buses and for another 50 buses in May 1986 at the rate of rupees two lakhs per vehicle exclusive of taxes, duties, insurance, freight, etc. Orders for the supply of 99 more buses were placed by the Agency

with BHEL in August 1989. The Agency received 101 buses during 1985-90 and paid Rs.265 lakhs including all taxes, freight and insurance, etc.

As on 31 December 1989, the Agency had a fleet of 101 buses. It was noticed that against the average run of 60 kms projected by the Agency, the average run per day per bus ranged from 8.43 to 17.14 kms during the period from June 1985 to December 1989 as shown in the table below :-

Period ending	Total No. of bus days (No. of buses x days) with the Agency (progressive)	Total No. of Kms. run by the buses (progressive)	Average run per day per bus (in kms.)
1	2	3	4
March 1986	3,043	49,327	16.18
March 1987	19,180	1,61,756	8.43
March 1988	10,738	3,28,485	12.95
March 1989	29,198	5,00,723	17.14
December 1989	27,453	3,53,548	12.57

The Agency stated in February 1991 that while working out the average run, the number of buses which were off the road and other relevant factors such as breakdown, nonoperation of buses on certain routes due to law and order problems, etc. had not been taken into account by Audit. It was further stated that charging capacity of 20 buses was destroyed due to a fire accident in a depot in November 1986.

A test check further revealed that on an average 60 to 70 per cent of the buses had been off the road since inception of the scheme. The number of buses and the period for which these remained off the road till December 1989 is shown in the table below :-

Period ending	Total No. of buses	Period of buses off the road ranging from			
		1 to 12 months	13 to 24 months	25 to 36 months	37 to 53 months
March 1986	30	12			
March 1987	68	57	9		
March 1988	75	41	21	8	
March 1989	97	27	24	10	5
December 1989	101	33	38	13	10

The Agency informed BHEL in June 1986 that out of the 41 buses procured, 13 buses were not in working order - 10 because of absence of chopper, one because of accident and two for want of servicing and renovation.

In the Governing Body meeting held in January and March 1987, the Agency stated that only 23-24 buses were in operation and the remaining buses were not in operation due to

non-availability of parking and charging facilities.

Further, the poor performance of the buses was attributed (January 1990) by the Agency to frequent failure of the chopper controller fitted in each bus which is a sophisticated electronic item and is imported by BHEL. Of 75 to 105 choppers, 43 to 63 choppers remained with BHEL for repairs from May 1988 to February 1990. Besides, defective

choppers ranging from 2 to 29 remained lying with the Agency during the said period for being sent to BHEL for repairs. No time limit had been prescribed for removing the defects in the choppers.

The Agency stated (February 1991) that choppers had failed as they contained some imported components and that BHEL, in spite of their best efforts, could not rectify them due to non availability of the components.

Though the supply of buses to the Agency was gradual during 1985-90, effective steps were not taken to provide parking facilities. Besides, the problem of failure of chopper controllers had remained unresolved. As a result the Agency was not only not in a position to run smoothly its existing fleet of 100 buses but it had also failed to initiate any action for expanding the facilities before the placement of an order with BHEL for another 99 buses worth Rs.350 lakhs in August 1989 against which only one bus was received in November 1989. With a view to make the scheme a success necessary infrastructure needed to be developed.

3.10.4 Modification of buses .-

With a view to increasing the number of kilometers run by battery buses from 50 to 100 per shift of eight hours, it was decided to add an extra battery to enable quick replacement. For this purpose the Agency ordered modification of 49 buses at a cost of Rs.12.63 lakhs.

Against the order for 50 buses to be modified at Rs.7.18 lakhs, BHEL supplied 24 modified buses from September 1988 to March 1989. Extra sets of batteries were provided only in three of the modified buses. Though with the extra battery, the kilometer run of the modified buses

per shift improved appreciably (ranging from 45 to 89 kilometers), yet 21 modified buses were not provided with an extra battery each (May 1990). Thus the purpose for which the modification of the buses was carried out was not secured. Further, the stock register revealed that 30 batteries purchased by the Agency at Rs.29.64 lakhs during July to October 1989 remained unutilised.

3.10.5 Avoidable payment of excise duty on purchase of batteries.- As per Central Excise Notification of June 1986, the Agency was not required to pay central excise on the purchase of batteries by obtaining exemption under the Central Excise Rules. Failure to obtain exemption from Central Excise duty on purchase of 58 battery sets resulted in avoidable payment of Rs.8.46 lakhs.

3.10.6 Auction of traction batteries .- In October 1989, the Agency auctioned for Rs.6.12 lakhs 43 batteries costing Rs.22.70 lakhs. The batteries were declared unserviceable in September 1989 by the Agency as they had been lying disused for a considerable period (40 to 57 months).

The normal life of a battery is between 1,200 and 1,500 cycles covering a kilometer run between 96,000 and 1,20,000. These 43 batteries became unserviceable after being used for a run spread over 1,000 to 31,000 kilometers.

The Agency stated (February 1991) that a number of batteries became defective due to non-availability of charging facilities following the fire accident at Loni Road Depot.

3.10.7 Printing and sale of tickets .- The Agency had been getting the bus tickets printed through private parties by inviting

quotations. At the beginning of each year, the Agency had not made any assessment of the requirement of tickets but placed orders every month for printing of tickets.

Scrutiny of the records revealed that tickets of the value of Rs.13.50 lakhs in the denomination of 50 paise and rupee one were got printed during 1986-87. Records of printing of tickets for 1985-86 were not made available to Audit.

On the basis of tickets available (Rs.14.17 lakhs) during the year 1986-87 after taking into account the opening stock and closing stock of the tickets except for Loni Road Depot the records of which were stated to have been burnt in fire, revenue on account of sale of tickets was found Rs.1.01 lakhs short credited to Agency's account.

The Agency stated (February 1991) that according to the Junior Engineer incharge of the depot approximate value of the tickets in stock on 1 April 1986 was Rs.11,000 and the value of tickets burnt were Rs.22,500 approximately. The Agency further stated that an amount of Rs.10,468 was excess credited in the Agency's account. In the said account the Agency exhibited printing of tickets of the value of Rs.12.50 lakhs during the year 1986-87. The figure of excess credit of Rs.10,468 to the Agency's account was obviously incorrect inasmuch as the bills paid depicted printing of tickets worth Rs.13.50 lakhs against Rs.12.50 lakhs shown by the Agency. Similarly, as per details submitted by the Agency, an amount of Rs.2,881 was stated to have been excess credited during 1987-88.

In addition to the above, a bill for printing of 20,000 special tickets in the denomination of rupee one and two for journeys between Raj

Ghat and Vijay Ghat was received from the printer in March 1987. The Junior Engineer Incharge of the depot acknowledged in September 1987 that the tickets had been received by him in October 1986. Break up of 20,000 tickets showing number of the tickets and their denomination was not available with the Agency in the absence of which total value of tickets could not be worked out. Further, no records relating to these special tickets showing the number of tickets sold, amount realised and credited to Agency's account and the balance of unsold tickets in stock were available.

The Agency stated that Rs.2,221 relating to sale of tickets were credited to Agency's account during 1987-88. Further action to destroy the balance tickets was being taken as these tickets were of no use and the route of Raj Ghat to Vijay Ghat had been abandoned. The tickets stated to have been lying in stock were not shown to Audit.

3.10.8 Fire at Loni Road Depot.- Occurrence of fire at Loni Road Depot in November 1986 resulted in loss of cash and valuables. However, neither a First Information Report was lodged with the police nor were any records relating to the loss available with the Agency. The amount of loss was also not worked out and exhibited in the accounts.

The Agency stated (February 1991) that the relevant file was not traceable and efforts were being made to reconstitute the file.

3.10.9 Other points of interest.- The Agency had acquired assets worth Rs.49.20 lakhs during 1987-88 to 1989-90 which were not exhibited in the balance sheet.

The stock registers of all the five depots were not maintained properly inasmuch as reference to

bills, cost of the goods purchased and progressive totals were not recorded. The entries made in the stock register were also not authenticated by any responsible officer.

3.10.10 Evaluation.- Apart from being environmentally friendly, the scheme, as conceived, was economically viable as it envisaged a profit of Rs.15 per bus per day. However, due to failure to provide a suitable back up, infrastructure and proper supervision the Agency instead of earning a profit of Rs.11.52 lakhs during the period from 1985-86 to 1988-89, sustained losses to the extent of Rs.124.98 lakhs.

The Agency stated (February 1991) that it was a conscious decision of the Administration not to increase the fare and, therefore, no profit could be made and that emphasis had been shifted to anti-pollution and social cost benefit which accrue due to reducing pollution.

To make this scheme successful and viable it is necessary to organise and provide the infrastructure required for the existing and the proposed addition to the fleet and to plug the loopholes in its working.

Directorate of Education

4. Adult Literacy Programme

4.1 Introduction

Eradication of illiteracy is an indispensable component of human resource development. The National Adult Education Programme (now setup as National Literacy Mission), which is administered by the Ministry of Human Resource Development, was introduced in the Union Territory of

Delhi in 1979 with the target of achieving complete literacy by 1990.

The programme aims at imparting literacy and numeracy skills to both in urban and rural areas through State Adult Education Programme (SAEP) and Rural Functional Literacy Programme (RFLP). It is meant for the people in the age group of 15 to 35 years who have been deprived of opportunity for education in their early years so that they are able to improve their functional skills and increase their social awareness.

4.2 Scope of Audit

The implementation of the programme, relating to eradication of illiteracy, was reviewed during April to July 1990 in Audit. The records maintained by the adult education branch relating to the period 1985-86 to 1989-90 were test checked. The functioning of adult education centres both in rural and urban areas was also test checked with reference to records made available to Audit. Out of 1,453 centres functioning in April 1990, working of 145 centres was checked by Audit.

4.3 Organisational set up

In Delhi Administration, an Additional Director (Adult Education) under the overall control of Director of Education is responsible for implementing the programme. The State Education Board (Adult Education) under the chairmanship of the Lt.Governor was constituted in January 1981 to assist and advise the Delhi Administration for successful implementation of the programme.

4.4 Highlights

- **The National Adult Education Programme was introduced in**

the Union Territory of Delhi in 1979 to attain complete literacy by 1990. However, owing to continuous influx of nearly one lakh illiterate adults every year in the metropolitan city in search of livelihood, Delhi continued to occupy third position in literacy in the country for the last two decades. The programme aims at imparting literacy and numeracy skills to people in the age group of 15 to 35 years both in urban and rural areas through State Adult Education Programme and Rural Functional Literacy Programme.

Out of Rs.443.86 lakhs allocated for the implementation of the programme, an expenditure of Rs.302.88 lakhs only was incurred during the Seventh Five Year Plan ended March 1990. Resultant savings ranging between 21 and 41 per cent during the five years were attributed by the Directorate to non-implementation of Jan Shikshan Nilayam Scheme meant for continuing education to neo-literates, shortage of supervisory staff and opening of less number of adult education centres. The required number of books and learning materials were also not purchased owing to their non-availability with the State Resource Centre.

Against the target of imparting education to 3.45 lakhs people under the SAEP and RFLP together the Directorate has reported to have given education to only 2.65 lakhs people. The shortfall in the target under SAEP and the drop out rate were the highest during 1989-90. The average number of

centres during second half of 1989-90 dropped to 1,168 from 1,730 during the first half of the year after the unsatisfactory working of the centres was noticed during the inspections conducted by the Sub-Divisional Magistrates in April to June 1989.

Of the 1,453 centres functioning in April 1990, test check of 145 centres by Audit revealed that 31 centres had neither instructors nor the learners; and 39 centres were being run at the residences of the instructors, with no learners. Though the monthly average attendance of 32 centres ranged between 4 and 30, the actual attendance of learners was found between 2 and 6 only.

In September 1989, the Directorate ordered transfer of the centres to Government school buildings but the order had not been implemented.

The programme envisaged the appointment of project officers, supervisors, clerical and group 'D' staff and part time instructors on fixed remuneration ranging from Rs.100 to Rs.1,500 per month. Delhi Administration, however, drafted trained teachers and clerical and group 'D' staff on regular pay and allowances for the posts of project officers, supervisors and group 'D' staff. The payment of pay and allowances to regular staff resulted in an extra expenditure of Rs.71.38 lakhs during the five years ended March 1990.

Out of 96 centres, records of which were made available to Audit, only 18 centres were

inspected twice and 74 centres once in a month and four centres were not inspected at all by the supervisor/project officer. There were no inspections by the higher authorities since the opening of these centres.

- About one half of the stage I learners under State Adult Education Programme and two third learners under Rural Functional Literacy Programme had been provided with no books at all or with incomplete set of books. For stage II learners, books worth Rs.2.54 lakhs costing between rupees five and eight each against the prescribed ceiling of Rs.3.50 each were purchased.
- There was lack of training to the functionaries of the programme. Only five days training to 16 project officers and 24 supervisors was imparted during 1989. The Directorate did not have any information relating to training of the staff prior to 1989.
- Although substantial grant (Rs.82.29 lakhs during 1989-90) was being given by the Ministry directly to 23 voluntary agencies selected for implementing the programme on the recommendation of Delhi

Administration, their working was not supervised by the Delhi Administration. The responsibility of Delhi Administration needs to be clearly defined for satisfactory working of the projects.

- The findings of evaluation study on adult literacy centres by different agencies revealed unsatisfactory performance of the programme. A substantial number of the centres were found nonexistent or non-functioning. The attendance in most of the centres hardly exceeded 10 against the enrolment of 30 learners. The recommendations made by the evaluation study cell of the Planning Department (Delhi Administration) in September 1987 relating to close supervision, holding of centres in common places like schools, dispensaries, etc. had not been implemented.

4.5 Budget allotment and expenditure

The programme comprising State Adult Education Programme (SAEP) and Rural Functional Literacy Programme (RFLP) has been fully financed by the Government of India.

The yearwise allotment and expenditure incurred are as under :-

(in lakhs of rupees)

Year	Budget allocation			Expenditure			Under utilisation			Percentage
	SAEP	RFLP	Total	SAEP	RFLP	Total	SAEP	RFLP	Total	
1985-86	59.70	9.78	69.48	49.05	5.55	54.60	10.65	4.23	14.28	21
1986-87	99.12	5.53	104.65	64.67	4.36	69.03	34.45	1.17	35.62	34
1987-88	82.70	5.17	87.87	61.67	3.10	64.77	21.03	2.07	23.10	26
1988-89	75.80	8.07	83.87	53.55	2.65	56.20	22.25	5.42	27.67	33
1989-90	90.00	7.99	97.99	55.22	3.06	58.28	34.78	4.93	39.71	41
Total	407.32	36.54	443.86	284.16	18.72	302.88	123.16	17.82	140.38	

The under-utilisation of funds under RFLP was stated to be due to receipt of expenditure sanction at the fag end of each financial year. Under SAEP it was attributed by the Directorate to non implementation of Jan Shikshan Nilayam scheme, meant for continuing education to neo-literates, shortage of supervisory staff and opening of less number of adult education centres. The required number of books and learning materials were also not purchased owing to their non-availability with the State Resource Centre.

4.6 Targets and achievements

Against the target of opening 11,500 centres and imparting education to 3.45 lakhs people under SAEP and RFLP during the Seventh Five Year Plan ending March 1990, only 10,069 centres were opened; and 2.65 lakhs people were reported to have been imparted education as shown below :

(figures in lakhs)

Year	Target		Number of people				Shortfall in target	
	SAEP	RFLP	enrolled		imparted education		SAEP	RFLP
1985-86	0.60	0.09	0.48	0.09	0.46	0.06	0.14	0.03
1986-87	0.60	0.09	0.60	0.09	0.52	0.08	0.08	0.01
1987-88	0.60	0.09	0.57	0.07	0.53	0.07	0.07	0.02
1988-89	0.60	0.09	0.55	0.08	0.52	0.05	0.08	0.04
1989-90	0.60	0.09	0.49	0.08	0.30	0.06	0.30	0.03
Total	3.00	0.45	2.69	0.41	2.33	0.32	0.67	0.13

The shortfall in the target under SAEP was the highest during 1989-90 due to drop in the average number of centres to 1,448 from

1,989 in the previous year. The drop out rate also was the highest at 38 per cent during 1989-90. It was seen in Audit that the average number of

centres during the second half of the year (1989-90) dropped to 1,168 from 1,730 during the first half of the year after the unsatisfactory working of the centres was noticed during the inspections carried out by Sub-Divisional Magistrates in April to June 1989 on the direction of the Chief Secretary.

4.7 Deficiencies in implementation of the programme

- (i) The scheme envisaged enrolment of 30 illiterate adults at each adult education centre where part-time instructors were required to impart education to them for two hours daily. The official records of the Directorate indicated that 1,453 adult education centres had been functioning in April 1990. Of the 145 centres test checked in audit, 31 centres had neither instructors nor any learners.
- (ii) In 39 centres which were run at the residences of the instructors, no learners were found present though attendance register showed the presence of learners ranging between 2 and 14.
- (iii) Though monthly average attendance of 32 centres ranged between 4 and 30, the actual attendance of learners was found between 2 and 6 only.
- (iv) Five centres did not function at the addresses given by the Directorate.
- (v) The adult education centres under both the schemes (SAEP and RFLP) were being run in the houses of instructors or of the neighbours since no accommodation for running the centres was provided by the

Administration. In September 1989 the Directorate issued order to transfer all the centres to Government school buildings. The orders had, however, not been implemented. The list of the centres furnished by the Directorate revealed that only 30 centres in a project were being run in school buildings. During test check, however, none of the centres was found working in the school building. It was stated by a supervisor in April 1990 that though the project officer of the said area had issued order for running the centres in the schools, the school authorities refused to provide accommodation. As a result the centres continued to function in the instructors/private houses.

- (vi) The accommodation for the centres was found unsatisfactory in both the rural and urban areas due to meagre rent and electricity charges provided by the Directorate. Rent and electricity charges were not provided during 1988-89 and 1989-90.
- (vii) The programme envisaged that project officers, supervisors, and clerical and group 'D' staff and part time instructors would be engaged on fixed remuneration ranging from Rs.100 to Rs.1,500 p.m. Delhi Administration, however, drafted trained teachers, clerical and group 'D' staff on regular pay and allowances.

The payment of pay and allowances to regular staff during five years ended March 1990 amounted to Rs.135.16 lakhs instead of Rs.63.78 lakhs which would have been

paid to officials on fixed pay as envisaged in the programme. Thus deployment of regular staff on the programme resulted in extra expenditure of Rs.71.38 lakhs.

The Directorate stated in November 1990 that teachers and other regular staff were drafted in the initial stage to make successful beginning of the programme. Records, however, revealed that regular staff had been deployed on the programme since its beginning in 1979 to November 1989. The teachers were, however, allowed to continue till October 1990 due to a stay order from the court of law.

(viii) The performance of the instructor with regard to his competency as teacher to mobilise the adult learners, regularity and punctuality of classes etc. is required to be verified by the supervisors/project officers. It was seen that no instructions had been issued by the Directorate prescribing the number of inspections of each centre to be carried out in a year by the supervisors/project officers. Out of 96 centres, records of which were made available to audit, only 18 centres were inspected twice and 74 once in a month and four centres had not been

inspected at all by the supervisors/project officers. There was no inspection by the higher authorities. Further, no action was taken to draw up annual schedule of inspection for the Directorate and other functionaries. The Directorate stated (January 1991) that the schedule of inspection for officers and staff could not be formally drawn because the regular teachers working as Project Officers/ Supervisors went to court consequent upon abolition of their posts in November 1989; and that the work was being streamlined.

In the absence of proper supervision, it was doubtful if all the centres were being run properly.

(ix) At the first stage of the programme, basic teaching and learning material, comprising of primer, work books, slate, pencil, etc. are required to be given to learners enrolled for imparting education. It was noticed that the Directorate did not purchase books for initial stage during 1988-89 and 1989-90 and learning material during the years 1987-88 to 1989-90 under SAEP though sufficient funds were available for the purpose. The position is indicated below:-

(in lakhs of rupees)

Year	Total allotment of contingency	Total expenditure	Expenditure on books	Expenditure on learning material	Other expenditure
1985-86	20	9.77	2.40	2.53	4.84
1986-87	50	17.64	7.38	2.42	7.84
1987-88	30	9.36	3.66	-	5.70
1988-89	24	2.44	-	-	2.44
1989-90	40	12.15	2.89	-	9.26

Consequently, out of 0.49 lakh people enrolled during 1989-90, 0.16 lakh people had not been provided with complete set of books and 0.09 lakh people were not given books at all. The learning material was not issued at all to 0.17 lakh of the 1.61 lakhs people during 1987-88 to 1989-90. Similarly, against the enrolment of 0.41 lakh people under RFLP, 0.28 lakh people did not get complete set of books during the preceding five years ending March 1990. Supply of learning material was also inadequate during all these years. The Directorate stated in July 1990 that books and learning materials could not be purchased as the same were under printing in State Resource Centre.

At stage II of literacy, the people were required to be given two books of Rs.3.50 each. The Directorate, however, purchased books for post literacy worth Rs.2.89 lakhs during March 1990. Of these, the price of each of the books purchased for Rs.2.54 lakhs ranged between rupees five and eight (including discount of 25 per cent). The purchase of the costly books like 'Panch Tantra-3' 'Krantikari Savarkar' not only resulted in excess expenditure over the prescribed ceiling but also the books were hardly of any advantage to the neo-literates. In the absence of books and learning material the programme suffered a set back.

- (x) Training of supervisors/instructors was an important component of the programme.

The State Resource Centre organised training programme for the project and block level functionaries. During 1989, refresher course of five days each was organised for project officers/ supervisors through State Council of Educational Research and Training and only 16 project officers and 24 supervisors were trained. The Directorate did not have any information regarding training of the supervisory staff in the previous years. Though District Resource Units (DRU) were established during 1988-89 to impart training to the instructors, none of the instructors was imparted training prior to the establishment of DRU. Instructors were stated to have been trained by project officers/supervisors who were trained teachers. However, there were no records to show that any formal training was given to instructors.

4.8 Voluntary agencies

Financial assistance of Rs.82.29 lakhs was released during 1989-90 by the Ministry of Human Resource Development direct to 23 voluntary agencies engaged in the field of Adult Literacy Programme in Delhi. As per the sanctions of grant-in-aid issued by the Ministry, the Delhi Administration was required to oversee the overall implementation of each project satisfactorily under the agencies and in case of unsatisfactory performance of any project, a report was to be sent to the Ministry. No records regarding evaluation or functioning of the centres run by voluntary agencies were produced to Audit. The Directorate stated (July 1990) that voluntary agencies were

free to conduct evaluation of their centres through their own tools and mechanism and a copy of evaluation sheet was called for from them, if needed. Since a substantial amount is being released direct by the Ministry to the voluntary organisations, the responsibility of Delhi Administration needs to be clearly defined for proper and satisfactory working of the projects under the voluntary organisations.

4.9 Evaluation

The Directorate in its background note for review of the Adult Education Programme prepared in July 1990 stated that the work of the teachers had been assessed/evaluated many times by :-

- (i) Planning Department, Delhi Administration.
- (ii) Officers of the Directorate of Education.
- (iii) State Resource Centre.
- (iv) Sub-Divisional Magistrate etc.

The work was found most unsatisfactory and that most of the centres were not found working/existing by these agencies

An evaluation study report of September 1987 by the evaluation cell of the Planning Department of Delhi Administration based on the sample survey of 193 centres revealed that :-

- (i) 115 centres were not functioning at the addresses recorded by the administrative department.
- (ii) 27 centres were not traceable at the given addresses which were either incomplete or not found in the locality.

- (iii) 15 centres were found closed as their duration of one year had been over.
- (iv) Out of the remaining 36 centres, only six centres were found with trainees present in the classes. In rest of the 30 units, there were no students. The neighbours, however, confirmed that classes did take place. In these centres which were found functioning, the attendance register revealed that only 30 candidates were enrolled, and attendance of people varied from 25 to 50 per cent. The report, however, revealed that 36 centres were being run at the residence of the instructors.

The study further revealed that though the scheme on the whole was laudable as it covered the down trodden section of the society, its present functioning was far from satisfactory. The evaluation report, *inter alia*, had made the following recommendations :-

- (i) The centres which were not functioning properly required to be thoroughly probed to find out what hampered their performance and to fix responsibility on the project officers who happened to be the direct link between the instructors and the masses;
- (ii) The adult education centre should be situated preferably at common places like schools, dispensaries, etc. known to every body and well displayed to attract and inspire the people;
- (iii) Remuneration to the instructors should be reviewed to create their interest in the pious work of adult literacy;

- (iv) Regular inspection of the adult education centres be conducted to eliminate chances of all malpractices and strengthen discipline in the centres; and
- (v) Regular follow up action in the matter of assessment of actual beneficiaries under the scheme would be absolutely necessary to achieve the real objective.

Another report of evaluation of five Adult Education Projects of 1988 by State Resource Centre, *inter alia*, revealed that :-

- (i) marked average daily attendance of people came to 18 whereas according to the observations of the study team and functionaries estimate, it was not more than eight;
- (ii) reading material for complete course was supplied to only eight per cent of the centres. On an average books/materials were supplied to 10 people per centre;
- (iii) very few of the centres had the provision of follow up study. As many as 99 per cent of the people did not even know that they had any chance to continue reading;
- (iv) training of instructors was lacking on an average they received training for five days instead of the desired training of 21 days; and
- (v) according to the instructors and the supervisors, the supervisory visits were adequate. However, 54 per cent of the people reported that nobody visited the centre in their knowledge.

Again at the instance of Chief Secretary, adult education centres were inspected by Sub-Divisional Magistrates (SDMs) during April to June 1989. The inspection reports in respect of 195 centres visited by seven SDMs presented a grim scenario of the Adult Education Programme. The deficiencies mainly pointed out that nine centres were not found existing on the given addresses and 52 centres had been closed and 35 centres were not found functioning. In fact out of 195 only, 20 per cent of the centres had been found functioning satisfactorily with more than 10 people in each centre.

In a meeting in July 1989, under the Chairmanship of the Chief Secretary, it was desired that the programme should be pursued in all sincerity and full seriousness. It was, *inter alia*, decided that :-

- (i) adequate training arrangements of project officers be made;
- (ii) adequate number of vehicles to Adult Education branch should be given for proper supervision of the work; and
- (iii) monitoring and evaluation of the work should be done.

It was also decided that next review meeting under the chairmanship of the Chief Secretary should be convened after two months. However, there was no record to show that any meeting took place thereafter.

The result of test check by Audit in the foregoing paragraphs and evaluation study conducted by various agencies would indicate that inspite of the specific recommendation of the evaluation cell of the Planning Directorate in September 1987, there was hardly any improvement in the functioning of the adult literacy centres. The

desired objectives set out in the literacy programme had not largely been achieved despite an outlay of Rs.443.86 lakhs and expenditure of Rs.302.88 lakhs during the five years ended March 1990.

The matter was referred to Delhi Administration and the Ministry of Human Resource Development in September 1990; no reply has been received (February 1991).

Directorate of Health Services

5. Family welfare programme

5.1 Introduction

The main objectives of the family welfare programme are :-

- (a) to bring down the birth rate through sterilisation (vasectomies and tubectomies), insertion of intra-uterine contraceptive device (IUCD), popularising the use of conventional contraceptive device, use of oral pills, medical termination of pregnancy (MTP); and
- (b) to promote the health of mothers and children by providing pre/post-natal service through immunisation, vaccination and other prophylactic treatments.

The programme is implemented in the Union Territory of Delhi through a net work of rural and urban family welfare centres. Local bodies/ voluntary organisations are also involved in the programme.

5.2 Scope of audit

Records relating to the family welfare programme from 1985-86 to 1989-90 maintained by the Directorate of Family Welfare and

nine hospitals, two training centres and nine health posts were test-checked by Audit during October 1989 to January 1990 and March to June 1990.

A draft review was issued to Delhi Administration and the Ministry of Health and Family Welfare in September 1990. Delhi Administration furnished its comments on the draft review in January 1991 which have been given due consideration while finalising this review.

5.3 Organisational set up

The Directorate of Family Welfare under the control of "Director of Health Services" (Delhi Administration) has a separate entity and is being administered through a Chief Medical Officer. The mass media education officer in the Directorate of Family Welfare is responsible for providing information, education and communication services concerning the family planning programme to the masses.

5.4 Highlights

- The objective of the family welfare programme is to bring down the birth rate and to promote health of mothers and children by providing pre/post-natal services through immunisation and other prophylactic treatments.
- The birth rate instead of decreasing had gone up by 6.17 per thousand to 30 per thousand from 23.83 during the years 1978-89. There was no marked improvement in the adoption of small family norms.
- Statistics showed that during 1978-87 the birth in the hands of untrained midwives had gone

up by 4.91 per cent and that the rural sector had largely been neglected inasmuch as in the rural area about 88 per cent of births took place in the hands of untrained midwives and others.

- The targets set by Delhi Administration had not generally been achieved. The male population undergoing sterilisation was very low. Records of various agencies showed that the figures of achievement in respect of sterilisation and insertion of IUCD had been inflated.
- Excess payment of grants-in-aid of Rs.7.61 lakhs was made to two voluntary organisations during 1988-90.
- Three post partum units which were sanctioned in 1986-87 and provided with equipment worth Rs.2.55 lakhs had not been performing any sterilisation operations and were functioning as health posts only till June 1990.
- Information required under the Medical Termination of Pregnancy Act and rules made there under was not furnished by some of the implementing agencies. Inspection of the agencies was not being carried out by the Chief Medical Officer, after initial approval. The inspection was necessary to ensure that medical termination of pregnancy was continued to be done with requisite facilities and under safe and hygienic conditions.
- Pregnancy kits worth Rs.2.99 lakhs were purchased in March 1989 by the Directorate out of the funds provided for drugs and dressings and issued to voluntary and Government organisations to carry out quick test to determine whether a woman was pregnant or not before sterilisation operation. The performance of these kits was not found satisfactory by a few units.
- Advances of Rs.179 lakhs made by the Directorate for payment of compensation money to 42 implementing agencies for family welfare programme were outstanding at the end of March 1989. Utilisation certificates for Rs.105 lakhs were stated to have been received by the Directorate leaving a balance of Rs.74 lakhs in June 1990.
- Reports of evaluation team of the Directorate in respect of 162 cases test checked relating to five hospitals showed that 52 beneficiaries were not living on the given addresses. 14 persons denied having undergone sterilisation, four persons complained that no follow up action after sterilisation had been taken by the hospitals and that the field workers filled in the entries without actual survey.
- Test check by Audit also revealed that in LNJP hospital, Rs.0.16 lakh had been misappropriated by drawing incentive money twice in respect of 120 cases relating to May and July 1988, by making alterations in the records. The Directorate stated (January 1991) that in surprise check of utilisation certificates of LNJP hospital, similar irregularities were also noticed by them and that LNJP hospital had instituted an enquiry.

- A sum of Rs.7.42 lakhs received as drug and dressing money by the LNJP hospital from the Directorate during September 1976 to October 1989 was irregularly kept in the saving bank account out side Governemnt account and no records for expenditure of Rs.3.80 lakhs from this account were produced to Audit. The Directorate stated that the matter had been referred to LNJP hospital for investigation.

- The records of 1986-87 to 1988-89 of a voluntary organisation showed that against 5,858 cases of sterilisation performed by them, incentive money was claimed for 7,023 cases. Thus incentive money amounting to Rs.2.16 lakhs had been released in excess by the Directorate.

- Fifteen laparoscopes valuing Rs.8.25 lakhs were issued to six agencies in excess of the prescribed scale. Ten laparoscopes valuing Rs.5.50 lakhs issued to three hospitals had been lying in stock unused for more than two and a half years. 39 laparoscopes valuing Rs.21.45 lakhs had been lying in stock in the Directorate for more than two years.

- Records relating to the performance reports of film shows, hari kathas, seminars, orientation training camps, display of hoardings, kiosks and banners sent to the Ministry of Welfare showed that performance figures intimated by the Directorate were exaggerated.

- During 1988-89 and 1989-90, a sum of Rs.8.71 lakhs was paid

for wall paintings and for which there was no completion certificate from any authority.

- There was rush of expenditure by the publicity wing, to exhaust funds in the last quarter of respective financial years 1985-90.

- During 1985-86 to 1986-87, a sum of Rs.17 lakhs was placed at the disposal of Directorate of Advertising and Visual Publicity (DAVP) for carrying out publicity on family welfare programme. The bills showing payments of Rs.15.76 lakhs for display at kiosks, bus panels, and hoardings submitted by DAVP were verified and completion certificate for the work was recorded by the State Mass Education and Media Officer. But the details regarding number of hoardings, their location and period of display had not been given by DAVP though an expenditure of Rs.11.22 lakhs was actually incurred by him for the purpose. The DAVP has not yet accounted for balance amount of Rs.5.78 lakhs even after four years of the drawal of advance.

5.5 Programme financing

The programme is centrally sponsored. In addition to cash assistance, Government of India also provides assistance in kind in the form of contraceptives, equipment, vaccines and drugs, etc. The following is the position of expenditure incurred during 1985-86 to 1989-90:-

Name of activity	1985-86	1986-87	1987-88	1988-89	1989-90	Total
	(In lakhs of rupees)					
Rural Family Welfare Centre	4.21	5.00	5.00	5.00	6.00	25.21
Urban Family Welfare Centre	61.43	42.72	32.64	57.68	121.63	316.10
Maternity and Child Health	9.18	19.17	29.02	27.18	11.03	95.58
Transport	12.31	2.30	1.27	0.68	3.71	20.27
Compensation	93.17	79.74	67.94	49.93	42.83	333.61
Post Partum Programme	46.82	86.86	108.50	106.40	30.00	378.58
Mass Education	5.77	23.46	13.19	10.21	16.70	69.33
Directorate and Administration	9.44	10.45	14.74	16.91	21.66	73.20
Training, Research and Statistics	3.85	4.93	6.08	6.81	7.46	29.13
Total	246.18	274.63	278.38	280.80	261.02	1,341.01

Note : The above table does not include the value of assistance in kind.

Post partum units are considered to be the highest motivation centre for sterilisation. It would be seen that though the expenditure on post partum unit rose from Rs.46.82 lakhs in 1985-86 to over Rs.106 lakhs during 1987-88 and 1988-89, more than 225 per cent, the number of sterilisation operation increased marginally from 0.28 lakh in 1985-86 to 0.29 lakh in 1986-87 and 0.31 lakh in 1988-89. Thus expenditure on post-partum units was not commensurate with the results.

5.6 Increase in births

The Union Territory of Delhi is predominantly urban in character

with 92.73 per cent population residing within urban limits. According to the 1981 census, the density of population in the urban area was 4,194 per sq.km and in the rural area 507 per sq. km. Literacy was of the order of 61.54 per cent.

The birth rate instead of decreasing had gone up by 6.17 per thousand to 30 per thousand from 23.83 during 1978-89. As per the report of the Bureau of Economics and Statistics for 1987, the percentage of birth at medical institutions and by physicians and trained midwives had gone down by 3.71 and 1.20 per cent respectively during 1978-1987. The percentage of

birth at the hands of untrained midwives and others had increased by 4.91 per cent during this period. Statistics for 1987 showed that the rural sector had largely been neglected inasmuch as in the rural areas about 88 per cent of births took place in the hands of untrained midwives and others.

The department stated in January 1991 that increase in birth rate was mainly due to influx of young people belonging to low socio-economic status with extremely conservative background and Delhi having good medical facilities attracting people from neighbouring states for confinement. It added that as more people in lower socio-economic group preferred to go to untrained midwives, the indirect conclusion was that population of lower socio-economic groups who constituted 40 per cent, had gone up in recent times.

The table below indicates the percentage distribution of births during 1978 to 1987.

Year	1st	2nd	3rd	4th and above
1978	31.10	28.10	19.90	20.90
1979	30.80	28.50	19.60	21.30
1980	31.07	27.54	19.57	21.82
1981	30.72	29.22	19.69	20.37
1982	32.33	27.84	19.64	20.19
1983	29.56	28.62	19.76	22.06
1984	32.24	27.96	18.23	21.57
1985	31.21	28.25	18.46	22.08
1986	34.34	27.05	17.36	21.25
1987	35.28	27.71	17.74	19.27

Note : The above figures have been adopted from the Annual Report 1987 of the Bureau of Economics and Statistics, Delhi Administration.

Thus during the decade 1978-87 there was no marked improvement in the adoption of small family norms casting a reflection on the poor motivation for family planning amongst the masses.

5.7 Targets and achievements

5.7.1 The annual target and achievement made by various agencies in MCD and NDMC involved in the family welfare programmes during the period 1985-86 to 1989-90 were as under :

	1985-86		1986-87		1987-88				
	Target	Achievement	Target	Achievement	Target	Achievement			
		Male	Female	Male	Female	Male	Female		
Sterilisation	30000	2788	25058	53300	2658	24243	40000	2352	26619
IUCD	64000	-	57714	96000	-	61699	100000	-	64246
Conventional contraceptive users	174000	144000	-	345000	204000	-	248000	234000	-
Oral pills	2200	-	1023	2900	-	1768	1500	-	2509

	1988-89			1989-90		
	Target	Achievement		Target	Achievement	
		Male	Female		Male	Female
Sterilisation	36,000	2,130	29,326	36,000	2,417	29,500
IUCD	1,10,000	-	69,402	90,000	-	70,630
Conventional contraceptive users	3,45,000	3,70,000	-	3,60,000	1,43,000	-
Oral pills	2,000	-	3,328	4,500	-	3,484

5.7.2 Thus the targets set by Delhi Administration had not generally been achieved. The shortfall ranged from 12 to 49 per cent. The male population undergoing sterilisation was particularly very low inasmuch as hardly nine men opted for sterilisation against 91 women.

5.8 Creation of health posts

Under the scheme of improving the family welfare and primary health care delivery system in the urban area, particularly the slums, grants-in-aid are released for providing additional inputs for setting up health posts as per the following pattern :-

Population coverage of health posts	below 5,000	5,000-10,000	10,000-25,000	25,000-50,000
I. Staff				
Lady doctor	-	-	-	1
Public health nurse	-	-	-	1
Midwives	1	1	2	3 to 4
Male MP worker	-	1	2	3 to 4
Class IV	-	-	-	1 woman
Clerk	-	-	-	1
Voluntary women worker	2	-	-	-
II. Contingent expenditure				
	-	-	Rs. 2,000	Rs. 4,000
III. Non-recurring expenditure				
Equipment and furniture	-	-	Rs. 5,000	Rs. 7,500
Other equipment	Rs. 5,000	Rs. 8,000	Rs. 10,000	Rs. 27,500

In the case of Love and Care Centres at Dabri and Sitapuri, started in July 1988, it was seen

that the two centres covered population area upto 20,000 and as such were entitled to grants-in-aid

of Rs.1.20 lakhs, being pay and allowances during 1988-89 and 1989-90 for nurse midwives and workers each and Rs.38,000 for contingent and non-recurring expenditure. The Directorate had, however, paid grants-in-aid of Rs.7.54 lakhs for these two years. Thus, grants-in-aid of Rs.5.96 lakhs was released in excess.

It was further seen that the Directorate had released grants-in-aid of Rs. 1.65 lakhs to Parivar Sewa Sansthan (Marie Stopes) for 1989-90 for their new centre at Shakarpur. The records of this health post revealed that there had been no midwife and doctor during 1989-90. As such the grant released was recoverable.

5.9 Post partum scheme (PP unit)

With a view to improving health status of expectant/nursing mothers and children, the plan envisaged post partum facilities to be provided at sub-district level hospitals, where six bedded sterilisation wards were to be set up and the labour room upgraded/renovated and surgical equipments of a certain standard and vehicles, etc.were to be provided. The scheme was considered to be the point of highest motivation for family welfare.

In Delhi, there are 21 PP Units. In a test check of PP Units at Tilak Nagar, Malviya Nagar, and Kalkaji it was seen that though these units were sanctioned during 1986-87 and were provided with one laparoscope, one colour TV and one VCR each costing Rs.2.55 lakhs, the performance reports of these units showed that these had not been performing any sterilisation operations and were functioning as health post only till June 1990. These units had not been provided with the requisite team for carrying

out sterilisation operations and a vehicle. The labour room had not been upgraded/renovated and surgical equipments had not been provided as required under the scheme.

The health post at Tilak Nagar showed that against the actual performance of 701 and 655 IUCD cases during 1988-89 and 1989-90 respectively, the unit had shown performance of 751 and 770 cases. This indicated that the units were reporting inflated figures of IUCD to the Directorate.

The department stated (January 1991) that these units had been providing all family welfare services except surgical services since 1986 owing to lack of anaesthetist and the point had been referred to Government of India. It was also stated that laparoscopes, colour TV and VCR were provided to them in the hope that these units would start surgical services within a reasonable time.

5.10 Medical termination of pregnancy (MTP)

MTP is a deliberate removal of the foetus from the womb of the female at the request of the mother. The act naturally results in the death of foetus at almost no risk to the life and health of the mother. In Delhi, Medical Termination of Pregnancy Act, 1971, came into force in 1972. The Act was further supplemented with Medical Termination of Pregnancy Rules of 1975.

During scrutiny of the records of the Directorate it was noticed that :

(i) Requisite information under the Act was not being received from some of the agencies during the last five years ended March 1990 as shown below:-

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Year	Number of agencies approved	Number of agencies from which reports were received
1985-86	128	104
1986-87	129	106
1987-88	147	112
1988-89	165	109
1989-90	165	117

The information thus compiled by the Directorate and sent to the Ministry of Health and Family Welfare was not complete. Moreover, no action as contemplated in the Act was taken against the defaulting agencies.

(ii) Inspection of the agencies was not carried out by the Chief Medical Officer after initial approval. The inspection was necessary to ensure that medical termination of pregnancy cases were continued to be done with requisite facilities and under safe and hygienic conditions as provided in the rule.

The department stated (January 1991) that places for MTP are recommended by the Chief Medical Officer (CMO) for approval by the Delhi Administration after inspection and that CMO being incharge of family welfare programme of the Union Territory of Delhi, it was not possible to re-inspect the already approved MTP units and that inspection would be carried out only if any complaints are received. Thus the provisions of the MTP Rules were not being complied with.

5.11 Purchase of pregnancy test kits

The Directorate decided in February 1989 to purchase pregnancy kits to determine whether a woman was pregnant or not before sterilisation. In March 1989, the Directorate purchased for Rs. 2.99

lakhs, 1,275 Accuclone Quick Blue, an early pregnancy detection kit, manufactured by a firm abroad and marketed through an Indian firm. All the 1,275 kits were distributed in March 1989 amongst 10 voluntary and 16 Government organisations. Four units while rejecting the performance of the kits in April 1989 observed that:-

- (i) Kits did not have any lot number, or batch number,
- (ii) in positive cases the results were negative while negative cases showed positive results,
- (iii) the name and address of the manufacturer was not given on the kits,
- (iv) two units reported that all tests carried out on male urine samples were positive (showed pregnancy).

It was seen that 263 kits valuing Rs. 0.60 lakh had been lying unused till June 1990 in one of the units against 350 kits issued. In another unit (SECH) at Timarpur, 34 kits valuing Rs.0.08 lakh had been lying unused till May 1990.

The Directorate stated in December 1989 that the kits purchased in March 1989 had an expiry date of October 1989 but it was mentioned on the carton box and not on the reagent bottle. The department replied (January 1991) that all codal formalities were followed for purchase of these kits.

5.12 Unadjusted advances lying with government/ voluntary organisations

According to existing practice, 42 implementing agencies are given money in advance for making payment of incentive money, etc. for sterilisation and IUCD cases. On

Directorate it was seen that advances to the tune of Rs.179 lakhs had been lying unadjusted as on 31 March 1989 against these agencies. It was noticed that fresh advances to the tune of Rs.84.72 lakhs were paid to 13 organisations during 1987-89 though each of them had sufficient unspent balance to meet the expenses upto March 1989. Thus advances of Rs.160.81 lakhs had remained unadjusted for more than two years including Rs.25.26 lakhs against six private organisations apart from MCD, Employees State Insurance Corporation, etc.

The department stated that each voluntary organisation was to be given revolving service advance on a quarterly basis with reference to one third of the performance of

the previous year and that vouchers and utilisation certificates of about Rs.105 lakhs had been received leaving a balance of Rs.74 lakhs at the end of June 1990.

The balance of advance with the implementing agencies was, however, much more than that of a quarter.

5.13 Misappropriation of incentive money

5.13.1 The evaluation team set up in the Directorate in September 1989 visited some implementing agencies and also some acceptors of sterilisation/copper T under the scheme during January and February 1990. Their findings in respect of some hospitals/agencies were as under:-

Name of Hospital/ Agency	No. of cases checked	Cases where house was locked	Cases where acceptor was not living in the given address	Denial cases	Complaint cases
Jessa Ram Hospital	50	5	2	2	2
ESI Hospital	43	12	13	2	2
Sanjay Gandhi Memorial Hospital	14	-	-	5	-
Majeedia Hospital	4	-	-	1	-
SECH, Timarpur	51	6	37	4	-
Total	162	23	52	14	4

In ESI Hospital, it was reported by the evaluation team during January/February 1990 that "three Medical Officers had been entrusted the work pertaining to family welfare activities but during the visit of the team, it was observed that a part time Medical Officer is looking after the family welfare programme. It was observed from the records of the hospital that payments have been not made to a large number of acceptors". It was further informed by the team that

lady health visitor had not been going to the field and no follow up action had been taken in sterilisation cases with complaints of pain and bleeding.

In Jessa Ram Hospital, it was reported by the evaluation team that field workers going for survey work filled up the entries on their own without confirming from the acceptors. It was also stated that no follow up action was being taken by the hospital staff who were

involved in family welfare activities.

In view of denial of sterilisation by at least 14 of the 162 reported acceptors it was evident that the claims were wrong and incentive money had not been paid to them but misappropriated.

5.13.2 In the course of test-check of records, Audit also noticed the following instances:-

(a) LNJP Hospital

(i) Scrutiny of utilisation certificates for May 1988 showed that payments already claimed and paid in 100 cases during 1987-88 had again been drawn in May 1988 by changing the dates and other records. This resulted not only in misappropriation of Rs.0.13 lakh shown to have been paid as incentive in these cases, but also the achievement to the extent of 100 cases was inflated in one month. In another 20 cases the same *modus operandi* had been followed and a sum of Rs.0.03 lakh had been misappropriated in July 1988.

(ii) The hospital had been maintaining three separate cash books for payment of (a) incentive money; (b) drug and dressing money; and (c) para medical staff. It was seen that cash balance as per cash book had never been verified by any authorities. The cash book of para medical staff from February 1983 to January 1989, incentive money cash book from October 1989 onwards and drug and dressing cash books from July 1983 to date had not even been closed.

(iii) The family planning unit functioning under the LNJP Hospital

had been drawing their requirements of drugs and dressing from the central store of the hospital. The unit had also been drawing drug and dressing money from the Directorate of Family Welfare. Being part of the Delhi Administration, the amount received from the Directorate of Family Welfare should have been credited to hospital account. Instead, the amounts were entered in the cash book of drug and dressing account and irregularly kept in a saving bank account with Syndicate Bank out side the Government account. During September 1976 to October 1989, a sum of Rs.7.42 lakhs was received from the Directorate of Family Welfare on account of drug and dressing, out of which Rs.3.80 lakhs were spent by them for making purchases. The relevant paid vouchers and stock registers showing the receipt and issue of material were not shown to Audit.

The department stated (January 1991) that in surprise check of utilisation certificates of LNJP hospital recently, irregularities of the nature pointed out by Audit had been detected by the Directorate of Family Welfare also and that LNJP hospital had instituted an enquiry by Vigilance. The matter regarding the expenditure on drugs and dressing was also stated to be referred to LNJP for investigation.

(b) Parivar sewa sansthan (MARIE STOPES)

The following was the position of sterilisation cases done by the Parivar Sewa Sansthan (Marie Stopes) during 1986-87 to 1989-90 vis-a-vis the position of incentive money claimed from the Directorate:-

Year	Cases as per Sansthan certificates	No. of cases for which incentive claimed	Excess no. of cases for which amount was not admissible
1986-87	809	1,262	453
1987-88	1,861	2,339	478
1988-89	3,188	3,422	234
Total	5,858	7,023	1,165

Thus the Directorate had paid excess amount of Rs.2.16 lakhs as incentive money for 1,165 sterilisation cases. The excess claimed by the Sansthan was corroborated by a test check of records by Audit of the health post at Nangloi where it was seen that the post had made claim from the Directorate for 1,443 cases in 1988-89 against 1,123 cases of sterilisation as per the records of the post.

5.14 Issue of laparoscopes and falope rings

The stock register of laparoscope and falope rings revealed that out of 138 laparoscopes worth Rs.75.90 lakhs procured by the Directorate during April 1987 to December 1989, 99 were issued to 34 organisations leaving 39 laparoscopes in stock.

According to instructions issued by the Ministry of Health in January 1989, laparoscopes were admissible on an average of 1.5 to each team doing the laparoscopic operation. Fifteen laparoscopes worth Rs.8.25 lakhs had been issued to six organisations in excess of the scale laid down by the Ministry. In Kasturba Gandhi hospital also, it was seen that five laparoscopes issued in January 1989 had been lying unused (April 1990).

Ministry's earlier orders of February 1988 emphasised that while using laparoscopes only KLI falope rings be used by the doctors. It was seen that 50 laparoscopes were issued to 16 organisations and no falope rings were issued by the Directorate though there was sufficient number of rings in stock.

Thus 39 laparoscopes worth Rs.21.45 lakhs were kept idle in stock for two years and laparoscopes had been issued to the organisations without ensuring their proper use. The department stated (January 1991) that out of eight laparoscopes lying idle in Kasturba Gandhi hospital, three were already in use and the rest would be put to use shortly. It was further stated that the Directorate of Family Welfare was assessing possible requirements of laparoscopes by implementing agencies and correlating it with number of teams working with such agencies at present and that steps would be taken to return laparoscopes to Government of India, if necessary.

5.15 Mass media and publicity wings

Information, Education and Communication (IEC) activities are vital for the promotion of family welfare programme. The IEC activities are carried through film shows, cinema slides, exhibitions, hoardings, bus panels, wall

paintings, kiosks, on electric and telephone poles, posters, handouts, orientation training camps, magic shows, baby shows, cultural programmes, hari kathas, seminars, population education activities and

adult education classes. The following was the flow of expenditure on publicity during 1985-86 to 1989-90 :-

Year	Budget allocation (in lakhs)	Period up to	Expenditure	Total expenditure during the year (in lakhs of rupees)
1985-86	6.00	December 1985	0.77	5.77
1986-87	23.50	December 1986	1.94	23.46
1987-88	15.00	February 1988	0.64	13.19
1988-89	20.00	December 1988	0.02	10.21
1989-90	20.00	September 1989	0.07	16.70

The above table would indicate that virtually there had been no performance/activities of the publicity wing during the first three quarters of any financial year. There was rush of expenditure in the last quarter to exhaust the funds during the respective financial years.

Reports of various activities for propagating family welfare programmes compiled by the Ministry of Family Welfare revealed the performance of the Directorate as under :-

Name	1985-86	1986-87	1987-88	1988-89
Film shows	1,168	341	2,008	2,764
Mass meetings	-	-	-	4,432
Group meetings	-	-	-	1,01,60
Tape recording	-	-	-	98
Exhibitions	18	12	-	17
Hari katha	-	-	-	42
Seminars	-	-	-	496
Orientation training camps	73	60	260	170
Baby shows }	-	-	-	108
Cultural programme }	-	-	-	204
Puppet shows }	-	-	-	50
Magic shows }	-	-	-	110
Tin plate distribution	-	-	-	18,992
Printing of handbills	-	-	-	30,000
Posters	-	-	-	1,66,000
Press coverage	-	-	-	6
Street plays	-	-	-	20

Name	1985-86	1986-87	1987-88	1988-89
Distribution of colour TV & VCR	-	-	-	19
Hoardings	-	50	100	93
Banners	-	-	-	294
Cinema slides	-	-	-	24
Wall painting	-	-	3,116	-
Bus panels	-	294	-	-
Population education activities	-	-	-	-
Kiosks	-	-	-	-

The Directorate did not produce any records of group meetings, tape recording, exhibition, press coverage, street plays to Audit so as to check the veracity of reports sent to the Ministry. On the other hand scrutiny of related records revealed that information sent to the Ministry was inflated to show better performance to the Ministry as indicated below:-

(i) *Film shows.*- The unit had reported arranging of 2,764 film shows to the Ministry during 1988-89. There were no details with the Directorate showing the dates/location where these shows were held. From the film shows programme circulated and the entry recorded in the log book of cinema van and other vehicles, it was seen that against 223 film shows proposed for execution during 1988-89 only 70 shows were actually held.

The Directorate stated that the reports sent to the Ministry were based on information received from other organisations - Municipal Corporation of Delhi, New Delhi Municipal Committee, Central Government Health Scheme and Family Planning Association of India, etc.

(ii) *Wall paintings.*- The Directorate had made payment of Rs.17.39 lakhs to a publicity firm during 1986-87 to 1989-90 for wall

paintings at various places in Delhi. The sample survey conducted by Audience Analysis Wing of the Ministry of Health and Family Welfare showed that there were only 45 wall paintings at 11 sites against 140 claimed to have been painted by the Directorate during February to June 1989. The survey team further observed that there was invariably no mention of date of painting on any wall and in some areas the paintings were found damaged. In a survey conducted by Employees State Insurance Dispensary, Sarojini Nagar, it was seen that against 325 sq.ft. of wall painting done at S.N.Depot, the payment had been made for 500 sq.ft. The scrutiny of records for 1987-88 showed that in 91 cases, the Directorate did not take into account the certificates of various Pradhans/Surpanches of some villages and had made excess payment of Rs.0.42 lakh to the contractor due to excess billing of 30,725 sq. ft. of wall painting. The records for 1988-89 showed that in 94 cases even though there were no certificates from any Surpanch/authorised body, the bills for 1,65,610 sq.ft. of wall painting of the contractor were passed for payment for Rs.2.29 lakhs. During 1989-90 also, payment of Rs.6.42 lakhs was made to the same contractor for wall paintings on the basis of Village Pradhan's certificates for completion of job stated to have been received by the Directorate. However, these certi-

ificates were not made available to Audit for test check.

(iii) *Display of banners.*- The annual reports of the Ministry of Health and Family Welfare showed that no banners were displayed during 1985-86 to 1987-88 and only 294 banners were displayed by the Directorate during 1988-89. The records of the Directorate revealed that a sum of Rs.3.97 lakhs was paid to the contractor for display of 3,111 banners during 1985-90. It was further noticed that against display report of 294 banners during 1988-89 sent to the Ministry, the Directorate had made payment for 506 banners. Of these, the order for preparation and display of 200 banners in Delhi by 31 March 1989 was placed on 29 March 1989. The completion certificates showed that there was no display of any banner in March 1989. There existed no stock entry of these 200 banners. In the circumstances it was doubtful whether 200 banners had actually been displayed by the Directorate. It was noticed that against the display of 36 banners at Indira Gandhi Anniversary in October 1988, the Directorate made payment for 94 banners.

The records of the Directorate showed that no quotations for the display of banners were invited and that a particular firm was entrusted with the work of wall painting and display of banners during 1988-90. The Directorate made payment for display of 470 banners at Rs.140 per banner instead of the prevalent rate of Rs.104. The rate of Rs. 140 per banner was applicable from the financial year 1989-90 only. Further, during 1989-90 payment of a sum of Rs.1.68 lakhs had been made to the firm for display of 1,200 banners. Although the payment was stated to have been made on the basis of display certificates from the concerned authorities submitted

by the contractor, the same were not made available to Audit.

(iv) *Hari katha, O.T.camps, seminars, baby show, distribution of plates, printing of hand bills and posters.*- Against the reports of holding of 42 hari katha, 170 orientation training camps, 496 seminars, 108 baby shows for the year 1988-89 sent by the Directorate to the Ministry, it was seen from the expenditure recorded in the expenditure control register that 20 hari kathas, 57 orientation training camps, 115 seminars and 53 baby shows had been held. It was thus obvious that figures intimated to the Ministry were not reliable.

(v) *Execution of work through Directorate of Advertising and Visual Publicity.*- During March 1986 and 1987, the Directorate at the instance of the Ministry of Family Welfare placed funds of Rs.17 lakhs at the disposal of the Directorate of Advertising and Visual Publicity (DAVP) under the Central Government for carrying out publicity on family welfare programme. The account of advance was to be rendered by the Directorate to the Pay and Accounts Office within one month of the drawal of the advance.

Against the advance payment, DAVP sent to the Directorate a statement of expenditure of Rs.11.22 lakhs up to December 1988. Bills submitted by them, however, showed payment of Rs.15.76 lakhs on different items of publicity through kiosks, bus panels and hoardings upto the said period. These bills were verified and certificate of the work having been completed satisfactorily was recorded by State Mass Education and Media Officer for adjustment, though no details regarding the number of hoardings, etc., their location and the period of display had been given in any of the bills by DAVP. The Directorate

of display had been given in any of the bills by DAVP. The Directorate passed a bill for adjustment of Rs.8.55 lakhs in December 1987 and another bill for Rs.5.35 lakhs in November 1990 showing a balance of Rs.3.10 lakhs against Rs.5.78 lakhs shown by DAVP. Thus the account of advance submitted by DAVP was not properly scrutinised by the Directorate and account for the balance amount had not been submitted by DAVP even after four years of the drawal of advance.

6. Fraudulent drawal of Government money in Hospital for Mental Diseases, Shahdara

Test check of records of Hospital for Mental Diseases, Shahdara for the period April 1986 to December 1989 conducted by Audit in January 1990 revealed that general store items were purchased without prior approval of the competent authority. On receipt of bills from firms, *ex post facto* sanctions for Rs.4.21 lakhs were accorded by the Medical Superintendent (MS) of the hospital for the settlement of bills of the suppliers without specifying the name, quantity/number of the goods purchased. The copies of sanctions which were required to be sent to the Accounts Officer (AO) of the hospital for preparation of fully vouched contingent bill (FVC) and Pay and Accounts Officer (PAO) for payment by post were received by the storekeeper of the hospital on their behalf. A test check of records revealed that nine *ex post facto* sanctions accorded by MS for smaller amounts of Rs.0.52 lakh in December 1987 to March 1989 were subsequently inflated for Rs.4.21 lakhs by making plus entries of heavy amounts through interpolation in figures as well as words and additional fake bills for matching amounts were obtained from suppliers. Thereafter, nine FVC

bills for a total amount of Rs.4.21 lakhs were prepared by hospital officials and got signed by the AO, the Drawing and Disbursing Officer (DDO) of the hospital and sent duly supported by the inflated sanctions and bills to the PAO for passing and issuing cheques for payment in favour of suppliers. After receipt from the PAO, the cheques were handed over by the cashier to the suppliers.

Thus, a sum of Rs.3.69 lakhs was fraudulently drawn by inflating the amount of nine sanctions. Strangely the additions of heavy amounts by making plus entries in the *ex post facto* sanctions without attestation by the sanctioning authority were accepted by the AO, DDO as well as the PAO and FVC bills for a total amount of Rs.4.21 lakhs were drawn and paid without ascertaining the genuineness of the sanctions against unusual additions/interpolations. When it came to the notice of the hospital authorities that an *ex post facto* sanction accorded by MS for Rs.50 in March 1989 for payment of store items had been changed to Rs.68,025 and accompanying bill with the sanction for Rs.50 was replaced by another bill for Rs.68,025 for encashment by PAO, the storekeeper was placed under suspension in April 1989. A First Information Report for fraudulent drawal of Rs.2.55 lakhs only by tampering with four sanctions was lodged with the police in May 1989. The outcome of police investigation was awaited.

The fraudulent drawal of Government money was made possible due to negligence and non-adherence to rules by the sanctioning authority, store officers, AO, DDO of the hospital and PAO.

Further, bills for Rs.9.72 lakhs for the purchase of stores/stationery articles appeared

without the receipt of goods. The *modus operandi* adopted was :

- (i) Non-accountal of receipt of general stores: Rs.8.35 lakhs by recording fake certificates on the bills that the goods had been entered on a particular page of the stock register.
- (ii) Excessive charging off to the account by manipulating indents/ inflating issues: Rs.0.90 lakh.
- (iii) Recording issues of stores in excess than the quantity indented : Rs. 0.42 lakh.
- (iv) Non-accountal of receipt of stationery articles: Rs.0.05 lakh.

Thus it was evident that due to signing of *ex post facto* sanctions routinely by the MS on the basis of bills received without indicating specific items purchased and lack of vigilance and non-exercise of necessary checks as provided under the rules by AO, DDO and PAO, the amount of sanctions were inflated and fake bills for heavy amounts were obtained from the suppliers by the officials of the hospital and FVC bills were prepared and got passed by PAO for payment without actual receipt of goods. The indents for the issue of stores prior to April 1986 were not made available to Audit.

The following irregularities, which were not detected by the supervisory officers of the hospital, facilitated pilferage/fraud in general store/stationery articles:-

- (i) Certificate on the body of bills and their entry in the stock register relating to the receipt of stores was

signed by the store officer without physically verifying the quantity and quality as per the sanction/purchase order and attestation of relevant entries in the stock register.

- (ii) There were numerous over-writings and erasures in the records of receipt and issue of stores.
- (iii) Physical verification of stores had not been conducted.
- (iv) Stores were issued without proper authority.
- (v) Inventories or accounts were not subjected to internal check contravening the provision of the General Financial Rules.

No action was, however, initiated to fix the responsibility for fraudulent withdrawal of money and to recover the loss.

The matter was referred to the Ministry of Health and Family Welfare and Delhi Administration in August 1990; no reply has been received (February 1991).

Commissioner of Industries

7. Money kept out of Government accounts

As part of rendering infra-structural facilities to the entrepreneurs, the Directorate of Industries invited applications for allotment of 500 industrial plots being developed in Patparganj, Delhi so as to reach the department by 25 May 1988. Each application was required to be accompanied by a bank draft of Rs.5,000 as earnest money deposit (EMD) which was to be adjusted towards the premium of plot of the allottee. 25,957 appli-

cations together with bank drafts worth Rs.12.98 crores were received by the Department till the specified date. 289 applicants were found to be ineligible due to certain deficiencies and their bank drafts valued at Rs.0.14 crore were returned in July 1989.

Test check of records by Audit in February 1990 revealed that the bank drafts for Rs.12.98 crores had not been deposited into Government account and period of their validity had expired. The draw of lots was held from 14 to 16 January 1990. The bank drafts of the successful applicants were got revalidated and drafts for Rs.12.59 crores, pertaining to the unsuccessful applicants were returned during March 1990.

Thus an amount of Rs.12.98 crores received on behalf of the Government was kept out of Government accounts for 14 months and Rs.12.84 crores for another 8 months in contravention of the rules.

The Department stated in July 1990 that the decision not to deposit the bank drafts in any of the banks and even at the treasury was on the specific orders of the Chief Executive Councillor duly endorsed by the Lt. Governor of the Union Territory of Delhi to facilitate the refund to the vast majority of the unsuccessful applicants as the number of plots available was only 500 against about 26,000 applicants.

The Ministry of Industry in November 1990 had endorsed the comments of the department.

8. Delay in construction of Udyog Sadan

The Commissioner of Industries got a scheme approved by Planning

Commission for the construction of a composite office building named "Udyog Sadan" for providing requisite assistance to the entrepreneurs by housing the authorities connected with industrial development under one roof. It would also save the authorities located in rented buildings from high market rents. Originally, the plan was to acquire about an acre of land for housing the office of the Commissioner of Industries, Delhi State Industrial Development Corporation (DSIDC), Trade Centre, Delhi Finance Corporation (DFC) and Delhi Khadi and Village Industries Board. Later, in May 1986 the Delhi Mineral Development Corporation (DMDC) and Delhi Energy Development Agency were also added as they showed their willingness to be located in Udyog Sadan.

For the construction of office building, the Delhi Development Authority (DDA) allotted in March 1986 two acres of land in trans Yamuna area and two plots of 1,000 sq. metres each in the south of IIT institutional area to the department at a cost of Rs.19.96 lakhs at Rs.8 lakhs per acre. The allotment of land was, *inter alia*, on the condition that the construction of the building should be completed within a period of two years from the date of handing over the possession of land. The construction work was entrusted to DSIDC as a deposit work and the possession of land was taken by it in March 1986. The design of the building submitted by DSIDC was approved by Selection Committee in November 1986. An outlay of Rs.200 lakhs was approved in January 1987 for the construction of building by the Standing Finance Committee of Delhi Administration. Amounts of Rs.160 lakhs and Rs.20 lakhs were paid to DSIDC in April 1986 and March 1987 respectively. The construction plans of the building were approved by DDA.

in July 1987. The Chief Engineer of DSIDC had intimated the Commissioner in July 1987 that the construction of the buildings in the south of IIT and trans Yamuna would be completed in one and a half years and two years respectively from the date of the award of the work.

In November 1987 the allotment of two acres of land in trans Yamuna was cancelled by DDA on the ground that the land was required for the local railway terminal. An expenditure of Rs.1.24 lakhs had been incurred by then on architectural fee for making models and drawings and on soil testing. No alternate site was provided by DDA till August 1990.

The construction of building at south of IIT was started in April 1988 after a delay of more than two years from the date of taking over of possession of the land. The estimate of the cost of the building was revised by DSIDC from Rs.61 lakhs in March 1986 to Rs.99 lakhs in November 1987. The Commissioner justified in August 1990 the increase in the estimated cost of the building on the ground that the plinth area had been revised from 2,667 sq.metres to 3,020 sq.metres and specifications for flooring etc. were improved. It was, *inter alia*, stated that estimates were based on approved cost index of Delhi at 370 in November 1987 as against the index of 312 in March 1986. It was also clarified that due to over riding priorities of the railways whose line alignment would pass through trans Yamuna area, the allotment of land was cancelled by DDA and alternate site had not been allotted inspite of personal meetings held at the Commissioner's level in December 1988 and regular pursuance with the DDA authorities and that efforts were being made to obtain alternate land. Delay in the completion of the

work in south of IIT institutional area was attributed by the department to certain problems in the hard soil strata at the lower level in the basement, non-availability of water for construction and limited space for stacking of material etc. Work to the extent of 58 per cent only valuing Rs.56.05 lakhs had been completed by March 1990.

Thus a sum of Rs.124 lakhs out of Rs.180 lakhs remained unutilised with the DSIDC for more than three years. Rupees 16 lakhs relating to the cost of two acres of land taken back by DDA in November 1987 remained blocked with the DDA as it failed to provide alternate site to the department even after about three years. Besides, expenditure of Rs.1.24 lakhs incurred on architectural fee etc. on the land was rendered infructuous. The objective of bringing under one roof all the services had not been achieved.

Agreeing with the reply of the Commissioner of Industries, Ministry of Industry stated in November 1990 that the objective of bringing under one roof a number of organisations with whom the Department of Industry have interaction such as DSIDC, DMDC, DTDC, DFC and DEDA was being actively pursued and would be realised in the near future as the DSIDC was expected to complete the construction work soon.

The Commissioner intimated in February 1991 that the building had been completed in December 1990. It was, however, not allotted to the concerned authorities till March 1991.

9. Avoidable expenditure on development of land at Gharoli

In June 1982 an Industrial Policy statement for the Union Territory of Delhi was announced for

the promotion of industries and to provide, *inter alia*, adequate infrastructure in the form of developed industrial plots and/or built-up flatted factories/work-sheds, etc., preferably in functional groups. Pursuant to that policy, the Directorate of Industries (now office of the Commissioner of Industries) formulated a scheme during the Sixth Five Year Plan and continued it in the Seventh Five Year Plan for acquisition of about 300 acres of land and development of industrial complex at Gharoli. The Department was given a commitment in March, 1985, 1986 and 1988 by Delhi Development Authority (DDA) of allotment of 105.5 acres of land. An outlay of Rs.6 crores was approved by the Planning Commission in May 1985 for implementation of the scheme in the Seventh Five Year Plan.

'On account payment' amounting to Rs.637.75 lakhs was made by the Department to DDA for the acquisition of 105.5 acres of land in March 1985, 1986 and 1988. Possession of 52.5 acres and 5.41 acres of land at Gharoli against the payment for 105.5 acres of land was handed over by DDA to the Public Works Department (PWD) in March 1985 and March 1986 respectively. Development of 283 plots in an area of 55 acres at Gharoli was planned in 1985 for five Functional Industrial Estates (FIEs) in the field of electronics, electricals, optics, fibre optics and lenses, packaging and leather and sports goods. The work for the development of land was entrusted to PWD for which a sum of Rs.16.28 lakhs was paid upto March 1990. The layout plans submitted by the PWD was not cleared by DDA in November 1987, as it was not upto the desired standards of planning.

The scheme was abandoned in August 1989 by the Administration and it was also decided in August

1989 to hand over the land taken over by the Department back to DDA and to obtain the refund of the amount paid. An expenditure of Rs.15.94 lakhs had been incurred (March 1990) by the PWD on earth filling and fencing.

The Ministry of Industry stated in November 1990 that the abandonment of the scheme by Delhi Administration was based on the decision of the Lt.Governor of Delhi taken in 1989 not to develop any new industrial estate in the Union Territory due to various infra-structural constraints.

Thus an expenditure of Rs.15.94 lakhs incurred on earth filling and fencing had been infructuous. Further, refund of Rs.327.75 lakhs on account of the cost of 47.6 acres of land not handed over by DDA had not been obtained even after a lapse of more than two years.

Irrigation and Flood Control Department

10. Non-recovery of dues from a contractor-related appointment of arbitrator

The work of increasing the capacity of Najafgarh drain from RD 1,16,700 to RD 1,18,050 earth work above and below sub-soil water level was awarded by Executive Engineer (EE) to a contractor at the tendered amount of Rs. 10.70 lakhs which was 26.47 per cent below the estimated cost of Rs. 14.56 lakhs. The work was to start in April 1984 and was to be completed in August 1984.

The work was slow from the very beginning. The EE issued notice to the contractor in September 1984 to accelerate the work and dispose of the excavated earth to disposal site as mentioned in the

agreement. The contractor in his reply of November 1984 expressed his inability to transport excavated earth to the stipulated point due to heavy traffic on the Ring Road and offered to dispose it of in his own way. Although permission to dispose of excavated earth at a point outside Government land was granted by the EE in May 1985 on the condition that the work would be treated as substituted item and royalty for earth at the rate of rupees three per cu.m. would be deducted, the work did not progress. The EE issued another show cause notice in October 1985 for taking action to rescind the contract and getting the balance work executed at his risk and cost. The Department rescinded the contract in November 1985. The security deposit of Rs.0.21 lakh of the contractor was also forfeited by the EE. The contractor had completed 24.83 per cent of the work valued at Rs.2.66 lakhs by then and full payment of Rs.2.66 lakhs had been made to him.

The balance work was awarded to another contractor in April 1986 at a tendered amount of Rs. 11.61 lakhs which was 14.70 per cent above the estimated cost. The contractor had executed the work valued at Rs.10.68 lakhs till April 1987 when it was foreclosed by the Superintending Engineer. Thus the work got done through the second contractor, resulted in extra expenditure of Rs.2.64 lakhs which was recoverable from the first contractor.

Though the Department had circulated the orders for recovery of Rs. 3.86 lakhs on the basis of estimated cost of the balance work to be executed in April 1986, no amount had been recovered from the defaulting contractor.

Delhi Administration stated that an arbitrator was appointed in October 1990 to adjudicate the claim

of the Department and action to recover the amount would be taken on receipt of award of the arbitrator. Due to belated appointment of the arbitrator the extra expenditure of Rs.2.64 lakhs had not been recovered from the contractor even after a lapse of more than five years of the rescission of the contract.

The matter was referred to the Ministry of Water Resources in June 1990; no reply has been received (February 1991).

11. Non-recovery of dues from a contractor

The work 'Increasing the capacity of Najafgarh drain from Dhansa regulator to Bharat Nagar bridge Widening of Najafgarh drain including improvement of existing drain from reduced distance 12,300 ft. to 18,200 ft. (Phase-I)' was awarded by the Executive Engineer (EE) Najafgarh Drainage Division II to a contractor in January 1987 for Rs.6.02 lakhs. The work was to be completed in May 1987.

The progress of work was slow as work for Rs.1.73 lakhs only was completed upto March 1987. A show cause notice was issued to the contractor in April 1987. As the progress of work did not improve, the contract was rescinded in July 1987.

The balance work which was awarded in March 1988 to another contractor for completion by June 1988 was actually completed at a cost of Rs.5.89 lakhs in August 1989 after a delay of more than one year.

Though the EE had circulated the orders in June 1989 to all the Chief Engineers of Delhi Administration, Delhi Development Authority, etc. for effecting recovery of Rs.2.10 lakhs from the

first contractor on account of extra cost on the completion of the balance work, no amount had been recovered from him.

Further, a penalty of Rs. 0.43 lakh imposed by the Superintending Engineer under the agreement had also not been recovered from him. Thus a recovery of Rs. 2.53 lakhs had been pending against the defaulting contractor for about three years from the date of award of the balance work to another contractor.

The Ministry of Water Resources stated in November 1990 that an arbitrator had been appointed and action to recover the amount would be taken after receipt of the award.

Land and Building Department

12. Irregular release of loan for redevelopment of Shahajahanabad

A project report for the scheme of "Redevelopment of Shahajahanabad" (Old Delhi) at an estimated cost of Rs.375 crores, prepared by the Delhi Development Authority (DDA) was submitted by the Delhi Administration to the Ministry of Works and Housing (now Ministry of Urban Development) in September 1982. The scheme aimed at :

- (i) Construction of 7500 dwelling units in transit camps;
- (ii) Acquisition of 125 hectares of land in the walled city for Development of parking areas, widening of roads and replacement of existing services;
- (iii) Redevelopment of clearance areas;

- (iv) Rehabilitation of one lakh of residuary population to be shifted from the walled city;
- (v) Construction of group-housing for 2000 families; and
- (vi) Building for community facilities including centres and dispensaries, etc.

The Ministry raised some objections on the basic formulations of the scheme in November 1982. Instead of submitting parawise replies to the objections raised by the Ministry, a second project report was prepared and submitted directly to the Ministry by the planning wing of the DDA. The Ministry asked Delhi Administration in March 1985 whether in view of the second project report, the first report submitted in 1982 should be treated as withdrawn. The Delhi Administration did not take any decision on this issue. The scheme had not been approved by the Ministry till March 1990.

The Land and Building Department of Delhi Administration, however, granted a loan of Rs.50 lakhs in March 1986 and Rs. 200 lakhs in March 1987 to the slum wing of the DDA for procuring the land at Mata Sundri Road for resettling the families staying in dangerous katras in the walled city. No expenditure had been incurred by the slum wing of DDA due to non-finalisation of the scheme. The loan, carrying a rate of interest of 10.25 per cent per annum (12.75 per cent per annum penal interest), was repayable in 15 years. The recovery of the first instalment of principal as well as interest was to commence on completion of one year from the date of release of the grant. No recovery had, however, been made (September 1990).

The Department stated in August 1989 that the scheme had not been implemented by DDA and that the matter had been taken up with the DDA to refund the entire amount of loan of Rs.250 lakhs together with interest.

Sanction of loan of Rs.250 lakhs in March 1986 and 1987 to the DDA by the Administration without the approval of the scheme by the Ministry was irregular. Information regarding the refund of loan together with interest had also not been furnished (September 1990).

The matter was referred to the Ministry of Urban Development and to the Delhi Administration in May 1990; no reply has been received (February 1991).

Public Works Department

13. Delay in completion of Yamuna Bridge near ISBT, Delhi

Ministry of Shipping and Transport sanctioned construction of Yamuna Bridge near the Inter State Bus Terminus (ISBT) at an estimated cost of Rs.37.28 crores in 1982. The work of construction of the bridge was divided into four parts viz. main bridge, left guide bund, eastern approach and the western approach. The project was scheduled to be completed by June 1987. The construction of the left guide bund and the eastern approach was completed in February 1986 and November 1986 respectively.

The construction of the main bridge was awarded by the Executive Engineer (EE) of Yamuna Bridge Project to National Buildings Construction Corporation Limited (NBCC) in June 1984 at the negotiated amount of Rs.8.56 crores. The work was to commence in June 1984 and was to be completed by June 1987.

As the progress of the work was slow, the department issued show cause notices to NBCC during February 1986, September 1986 and July 1987 to accelerate the progress. When the position did not improve, the EE, with the approval of the Ministry of Urban Development, took over the work departmentally in August 1987 at the risk and cost of NBCC as per the terms of the agreement. The NBCC had by then, completed 47 per cent of the work valuing Rs.4.04 crores against which payment of Rs.3.89 crores had been made to them. The work was still in progress (January 1991).

Though the EE had circulated the orders for effecting the recovery of Rs.1.03 crores from NBCC in January, March and May 1989 to the Central Public Works Department, PWD and public sector undertakings respectively, no amount had been recovered.

The Chief Engineer appointed an arbitrator to adjudicate the claims of the department in May 1989. NBCC did not accept the arbitrator and made a reference to the Ministry of Industry, Bureau of Public Enterprises who appointed another arbitrator in September 1990. A compensation of Rs.0.78 crore was levied by the Superintending Engineer on NBCC in November 1990 for delay under the terms of agreement.

A sum of Rs.4.21 crores (extra expenditure at risk and cost : Rs.3.43 crores; compensation for delay : Rs.0.78 crore) had become recoverable from NBCC upto September 1990 for which the department has yet to submit the claim before the arbitrator appointed by the Ministry.

The construction of the Western approach to the Yamuna Bridge was awarded to a private firm

in October 1984 at the negotiated amount of Rs.9.39 crores which was 30.94 per cent below the estimated cost of Rs.13.60 crores. The work was to commence in October 1984 and was to be completed by April 1987.

The progress of this work was also slow and only 35 per cent of the work valuing Rs.3.50 crores was completed by the firm upto the stipulated date of completion. The Executive Engineer (EE) issued a letter for the first time in September 1987 and again in February 1988 asking the firm to accelerate the progress of the work. When the position did not improve the EE issued show cause notices to the firm in March and August 1988. The reply to the notices was found not satisfactory by the EE and the contract was rescinded in December 1988 at their risk and cost and the security deposit of one lakh rupees forfeited. Penalty of Rs.1.36 crores was also levied by the Superintending Engineer in November 1988 in terms of the agreement. The value of work done by the firm till the rescission of the contract was Rs.4.95 crores.

The balance work was awarded in July 1989 to another firm at a negotiated amount of Rs.7.24 crores which was 77.67 per cent above the estimated cost of Rs.4.07 crores. The work was scheduled to be completed by April 1991.

In August 1988, the defaulting firm requested the Chief Engineer (CE) to appoint an arbitrator to settle the dispute. The CE appointed an arbitrator in November 1988. The firm submitted claims for Rs.5.38 crores and the department in turn preferred counter claims for Rs.6 crores. The arbitrator resigned in February 1989 as the firm contested his appointment. On the direction of the High Court, another arbitrator was appointed by the CE in July

1989. The firm filed another suit in the High Court against the appointment of the second arbitrator also and obtained a stay order which has not been vacated (January 1991).

The department, however, circulated in December 1989 recovery orders of Rs.6.25 crores including compensation of Rs.1.36 crores due from the firm to all the divisions of PWD and CPWD. The firm filed a suit in the High Court against the orders for recovery of Rs.1.36 crores on account of compensation. On the decision of the court the EE circulated revised orders for the recovery of Rs.4.89 crores in December 1990. No recovery has been effected (January 1991).

In 1979, the Central Road Research Institute (CRRI) had estimated that 0.77 lakh Passenger Car Unit (PCU) per day would be using the bridge in 1991. The CRRI had also made an economic evaluation. The cost benefit analysis had indicated that an annual economic benefit of Rs.2.74 crores would accrue from the bridge due to savings in time and operational cost. On the basis of this analysis the net loss of benefit would be Rs.8.22 crores.

The CE stated in January 1991 that the study conducted by CRRI in August 1979 indicated the annual benefit of Rs.2.70 crores under ideal conditions but the actual conditions were far different from ideal conditions. It was further stated that firm had been debarred from tendering for five years and the poor performance of NBCC had duly been reflected in the Confidential Reports of the officials.

The fact, however, remains that the progress of the work was not monitored closely in the beginning and timely corrective measures had not been taken.

Besides, recovery of Rs.4.21 crores and Rs.6.25 crores remained to be effected from the NBCC and a private firm respectively. Above all a vital communication infrastructure stand denied to the road users.

The matter was referred to the Ministry of Urban Development and the Delhi Administration in September 1990; no reply has been received (February 1991).

14. Loss due to rescission of a contract

The work of "widening of Road No. 25 from 2 lanes to 4 lanes connecting Patel Road with Linlithgo Avenue SH: Earth Work, Water Bound Macadam and Footpaths" was awarded by the Executive Engineer (EE) to a contractor at a negotiated rate of Rs.24.55 lakhs which was 4.87 per cent above the estimated cost. The work was to commence in December 1980 and was to be completed in September 1981.

The progress of the work was very slow from the beginning. There was no progress inspite of several letters issued by the Assistant/Executive Engineer during April to July 1981. On 18 July 1981, the EE issued a formal show cause notice to the contractor and issued another letter in August 1981 asking the contractor to accelerate the progress of work. Again, in September 1981 the EE warned the contractor of action in terms of the agreement if he failed to show sufficient progress within 15 days. Only 31.25 per cent of the work valued at Rs.7.67 lakhs was completed by the contractor till September 1981. The contractor attributed (October 1981) the delay to the department for not making available road rollers, not remitting royalty to Flood Control Department for import of earth and indecision regarding exact

alignment. The EE replied to him in November 1981 that there was no hindrance in the work attributable to the department and that the department had been left with no option but to take action in terms of the agreement. Finally the EE rescinded the contract on 23 November 1981. The security deposit of Rs.0.51 lakh furnished by the contractor was forfeited. The compensation of Rs.2.34 lakhs for delay in the completion of the work was levied on the contractor in April 1982.

The balance work was awarded to another contractor in February 1982 at a negotiated amount of Rs.22.21 lakhs which was 61.21 per cent above the estimated cost of Rs.13.78 lakhs. Later the quantum of work was reduced and the work estimated to cost Rs.9.97 lakhs was completed by the contractor in January 1983 at an expenditure of Rs.16.07 lakhs. This resulted in extra expenditure of Rs.5.53 lakhs.

In February 1982, the first contractor requested for appointment of an arbitrator for settlement of the dispute. An arbitrator was appointed by the Chief Engineer (PWD) in April 1982. The contractor put in claims for Rs.4.37 lakhs and the department in turn preferred claims for Rs. 10.55 lakhs. The arbitrator observed in his award of August 1987 that the delay in completion of work was mainly due to delay on the part of the department to make available the site, communicate decision regarding change in alignment and refusal to allow excavation before collection of material and that the rescission of the contract was legally invalid as it was done without making the time to be the essence of the contract. The arbitrator rejected the counter claims of the department and awarded Rs.2.75 lakhs to the contractor on account of work done

and not paid and refund of security deposit forfeited by the EE. The arbitrator also awarded interest at the rate of nine per cent per annum on the amount of award from 7 April 1982 till the date of payment or decree of the court whichever date was earlier. The award was made rule of the court in August 1988. An amount of Rs.4.33 lakhs including interest of Rs.1.59 lakhs from April 1982 to September 1988 was paid to the contractor in September 1988.

Thus failure of the department to make available the site, communicate the decision regarding change in alignment, refusal to allow excavation before collection of material etc. and irregular rescission of the contract resulted in rejection of the claim of the department and extra expenditure of Rs.5.53 lakhs incurred on balance work got completed from another contractor apart from payment of Rs.1.59 lakhs on account of interest. The completion of the work was also delayed by more than one year.

No responsibility had been fixed (April 1990).

The matter was referred to the Ministry of Urban Development in June 1990; the reply has not been received (February 1991).

15. Extra expenditure due to delay in acceptance of tender

The work for the construction of a residential colony for Police Department was awarded to a contractor in June 1989 at a cost of Rs.188.89 lakhs. The lowest tender of Rs.181.62 lakhs received earlier in November 1988 was not accepted by the department due to indecision which resulted in extra expenditure of Rs.7.27 lakhs as indicated below.

The Executive Engineer (EE), Public Works Department (PWD) Division XXV, invited tenders in November 1988 for construction of a residential colony comprising 225 Type II quarters for Police Department at Model Town, Delhi, at an estimated cost of Rs.158.06 lakhs.

The tenders were valid for acceptance within 90 days from the date of their opening (17 November 1988). The EE recommended the case to Superintending Surveyor of Works-I (SSW-I) in November 1988 and SSW-I in turn forwarded it to the Chief Engineer (CE) in January 1989 to award the work to the lowest tenderer who had quoted at 14.90 per cent above the estimated cost. As per the prescribed time schedule the tenders were required to be processed and finalised within 37 days from the date of their opening. However, no decision was taken by the competent authority to award the work at the lowest tendered rates within the stipulated period. The tenderer did not respond to the department's request to extend the validity period of his offer. The second lowest tender was rejected on the ground that the tenderer was not qualified for works higher than rupees one crore and fresh tenders were invited in April 1989.

The work was awarded to another contractor in June 1989 for Rs.188.89 lakhs at 19.50 per cent above the estimated cost. The contractor started the work in July 1989 which was still in progress (December 1990).

Thus the delay in processing and finalisation of the tenders received in November 1988 for Rs.181.62 lakhs during the first call resulted in extra expenditure of Rs. 7.27 lakhs.

The matter was referred to the Ministry of Urban Development and

to Delhi Administration in June 1990; no reply has been received (February 1991).

16. Non-recovery of dues from a firm

The construction of police station building at R.K.Puram Sector XII was awarded by the Executive Engineer (EE), Public Works Division XVII, to a firm in December 1982 at the tendered amount of Rs.29.82 lakhs. The work was to be completed by 25 December 1983.

Only 0.25 per cent of the work was completed upto stipulated date of completion. The first show cause notice for delay in completion of the work was, however, issued to the firm in November 1985. Despite a warning issued to the firm in May 1986 there was no progress in the work after April 1986. The firm attributed (September 1986) the delay to late supply of foundation/structural drawing etc. by the department. The EE served another notice in January 1987 and rescinded the contract in February 1987. The firm had been paid Rs.10.87 lakhs by then. Recovery of Rs.2.82 lakhs on account of material (Rs. 2.28 lakhs) issued and secured advance (Rs.0.54 lakh) paid to the firm during 1983 was not effected.

The balance work was awarded to another firm in January 1988 at the tendered cost of Rs.23.48 lakhs for completion by February 1989. The work was completed in May 1989 at the cost of Rs.23.15 lakhs which resulted in extra expenditure of Rs.4.81 lakhs.

Though the progress of the work was slow from the beginning, the show cause notice for taking action under the agreement was issued to the first firm after nearly two years from the stipulated date of completion of the work and

the contract was rescinded after another 15 months. Orders for payment of compensation of Rs.2.17 lakhs by the firm for delay in the completion of work were communicated by the Superintending Engineer in July 1990 long after the rescission of the contract in February 1987.

The final bill of the firm had not been passed and recovery of Rs.10.75 lakhs on account of cost of material and secured advance (Rs.2.82 lakhs), extra expenditure incurred on completion of balance work (Rs. 4.81 lakhs), compensation for delay in completion of work (Rs.2.17 lakhs), security deposit (Rs.0.42 lakh) and miscellaneous recoveries (Rs.0.53 lakh) had not been effected. Though the EE had requested the Chief Engineer in July 1990 to appoint an arbitrator to adjudicate the dispute, orders for the appointment of the arbitrator had not been issued. Thus recovery of Rs.10.75 lakhs had been inordinately delayed.

The matter was referred to the Ministry of Urban Development and the Delhi Administration in November 1990; no reply has been received (February 1991).

17. Non-recovery of dues from a contractor

The work of construction of 96 residential quarters type II at R.K.Puram, Sector XII, New Delhi was awarded by the Executive Engineer (EE), Public Works Department in August 1983 to a contractor at the negotiated amount of Rs.41.99 lakhs which was 24.79 per cent above the estimated cost of Rs.33.65 lakhs. The work was to start in August 1983 and to be completed by February 1985.

The progress of the work was slow from the very beginning as only 43 per cent work valued at Rs. 18.06

lakhs was completed upto stipulated date of completion. The EE issued letters to the contractor during November 1983 to August 1986 to accelerate the progress of work but the position did not improve and the work was virtually suspended after April 1986. The EE issued a notice to the contractor in February 1987 to show cause within seven days as to why action should not be taken for rescinding the contract and getting the balance work executed at his risk and cost, etc. by other agencies. As the contractor did not give any reply, the EE rescinded the contract in August 1987 at the risk and cost of the contractor and forfeited the security deposit of rupees one lakh in January 1988. A sum of Rs.24.98 lakhs had been paid to the contractor by then. Recovery of Rs.0.62 lakh (cost of material issued :Rs. 0.37 lakh, secured advance :Rs.0.25 lakh paid to the contractor) was not effected. Penalty of Rs. 3.36 lakhs, levied by the EE in August 1987 was also to be recovered.

The balance work was awarded to another contractor in April 1988 at his tendered amount of Rs.25.54 lakhs which was 75 per cent above the estimated cost. Though the EE reported in July 1990 that the work had been practically completed at an extra cost of Rs. 7.33 lakhs, the final bill of the contractor had not been passed.

The department circulated the orders for recovery of Rs.11.60 lakhs from the first contractor to all the divisions of PWD in June 1990 after a lapse of more than two and half years of the rescission of the contract. No recovery has been effected (October 1990).

The department stated that the contractor was requested in October 1990 by the EE to deposit Rs.11.60 lakhs but there was no response

from him and that the department had decided to refer the matter to the arbitrator for which action was being taken separately.

The matter was referred to the Ministry of Urban Development in August 1990; no reply has been received (February 1991).

18. Non-adjustment of advance

A balance amount of Rs.11.52 lakhs out of Rs.40 lakhs paid in March 1980 by the Project Manager of Guru Teg Bahadur Medical College and Hospital Project of Public Works Department (PWD) to the Delhi Development Authority (DDA) for the construction of medical and public health buildings had neither been accounted for nor was it refunded to the Delhi Administration. The sanction for the payment was accorded by Delhi Administration (Public Health Department) in March 1980 without any specification, location, etc. of buildings to be constructed. The amount paid was debited to the final head "480-Capital Outlay on Public Health" instead of keeping the same under "Public Works Advances" till actual execution of work and submission of accounts thereof.

It was seen that buildings and plots of land were allotted to the Medical and Public Health Department by DDA in September 1980 in various localities for setting up/ construction of dispensaries at a provisional cost of Rs.31.48 lakhs. Possession of buildings and plots of land worth Rs.28.48 lakhs was stated to have been taken over by the department.

The Department stated in March 1990 that the original sanction regarding the payment of Rs. 40 lakhs to DDA had not been forthcoming from their records and

that fresh efforts were being made for recovery of balance amount of Rs.11.52 lakhs from DDA.

The matter was referred to the Ministry of Health and Family Welfare and the Delhi Administration in October 1990; their reply has not been received (February 1991).

General

19. Losses and irrecoverable dues

written off/waived and ex gratia payments made

A statement showing losses and irrecoverable revenue, duties, advances, etc. written off and ex gratia payments made during 1989-90 is given in Appendix-I to this Report.

CHAPTER-III

Delhi Development Authority

20. Self Financing Housing Registration Scheme for allotment of flats at Vasant Kunj

20.1 Introduction

The Self Financing Housing Registration Scheme was undertaken by the Delhi Development Authority (DDA) from 1977 with a view to increasing the housing activity in Delhi. Under this scheme financial participation of the intending purchasers, during the process of construction of flats, was obtained so that the flats could be constructed with their money. People interested in owning a flat in Delhi got their names registered under the first to sixth schemes and the special self financing scheme for retired and retiring public servants between 1977 and 1985. Vasant Kunj was an important segment of the Self Financing Scheme (SFS) as 10,475 flats were planned in Vasant Kunj. Flats in Vasant Kunj were allocated for the first time in September 1983.

20.2 Scope of Audit

The records maintained by the Commissioner (Housing), Chief Engineer, South West Zone (SWZ) and nine Executive Engineers were test checked during April to June 1990.

A draft review was issued to the Ministry of Urban Development, DDA, etc. in September 1990. This review has been modified after giving due consideration to the Ministry's reply of February 1991.

20.3 Organisational set up

The scheme was administered under the overall control of the Vice-Chairman of the DDA, assisted by the Commissioner (Housing). Construction of flats was supervised by the Chief Engineer, South West Zone under the control of the Engineer Member. The scheme was monitored by a co-ordination committee headed by Chief Engineer (SWZ), with engineers, architects and representatives of land department as its members.

20.4 Highlights

- The pace of housing activity taken up by DDA was behind schedule. Against the target of 10,475 flats, only 7,217 flats were constructed upto March 1990; the delay ranged from 30 to 52 months; construction of 1,342 flats was in progress and that of 1,916 was yet to be taken up.
- There was inadequate co-ordination between the electrical and the construction divisions in execution of electrical work. There was short supply of stipulated material. Further, there was delay in clearance of the sewerage, drainage and water schemes from the Municipal Corporation of Delhi. There were delays in preparation of the lay out plan and the structural drawings.

The work of providing and laying 600 mm dia PSC pipe line from the Deer Park, Hauz Khas, to the underground tank in Sector 'B' at Vasant Kunj was completed by May 1990, after a delay of more than three years from the stipulated date of completion and after incurring an extra expenditure of Rs.31.40 lakhs. This led to water shortage and caused hardship to the allottees as they were getting only 0.5 mgd. water supply against the supply of one mgd.

- Delay in completion and allotment of flats deprived the allottees of getting the flats within a reasonable time, besides the extra burden of Rs.674.11 lakhs on the allottees due to the increase in the cost of construction of the flats.

20.5 Profile of the scheme

The flats constructed in Vasant Kunj under the SFS consisted of two categories- two and three bed room units with plinth area varying from 74 square metres to 131 square metres.

Before taking up construction of flats in a particular location, DDA notified the estimated cost, the specification, design and plinth area of the flats for allocation. After the allocation of flats to the registrants, demand letters are issued to pay 90 per cent of the estimated cost of the construction of the flats in four instalments subject to adjustment of the price difference between the estimated cost and the actual cost on completion of flats in the fifth and final instalment. Normally, the registrants were to be allotted flats within a period of 30 months from the payment of the first

instalment. In case of delay in the allotment of flats beyond 30 months, the registrants were to be paid interest at the rate of 7 per cent on the deposit and 10 per cent beyond the period exceeding 36 months.

20.6 Construction and allotment of flats in Vasant Kunj

Initially the total area of the scheme was 415.30 hectares and 18,018 flats were tentatively planned to be constructed. But only 382 hectares of land was available and the scheme had to be adjusted according to site conditions.

Notifications inviting applications for allocation/allotment of 23,649 flats (8,935 two bed room units and 14,714 three bed room units) were issued during September 1983 to March 1987. However, 16,898 registrants were allocated flats during December 1983 to December 1987, out of which 6,389 allocatees were stated to have withdrawn in the wake of report of flats constructed by DDA in Kishangarh (adjoining Vasant Kunj) being of unsound foundation. 8,635 allocatees were entitled for allotment of flats by March 1987 and 1,840 more allottees by June 1990. DDA stated in May 1990 that 8,553 flats had actually been allotted. The records of the construction divisions, however, revealed that the work for the construction of 8,559 flats at the estimated cost of Rs.7,374.90 lakhs was awarded to 30 contractors during November 1984 to March 1990 at Rs.10,894.25 lakhs for completion during November 1985, to September 1991. Against these 7,217 flats were completed during June 1988 to March 1990 at a cost of Rs.10,360.91 lakhs after delay ranging from 30 to 52 months. The delay in the completion of flats resulted in extra burden of Rs.674.11 lakhs on the allottees due to increase in the cost of

construction. Construction of 1,342 flats was in progress and that of 1,916 yet to be taken up. DDA stated in June 1990 that the work was in progress at a slow pace because the area where the flats were being constructed was on rocky and difficult terrain. As regards construction of remaining flats it was stated that certain pockets were under stay order or the Civil Aviation Department had imposed restriction on high rise flats as the flats were falling under the air tunnel.

The Ministry stated in February 1991 that as against 7,217 flats, 8,085 flats had been completed upto 1988-89 and 8,643 flats by March 1990 and that the delay of 30 to 52 months had wrongly been pointed out by Audit.

The Ministry's reply of 8,085 flats having been completed included the flats constructed in Kishan Garh and also those which were not provided with essential services like electricity and water. The number of 7,217 completed flats mentioned by Audit was based on the completion certificates issued by the competent authority and did not include the flats constructed in Kishan Garh which had been allocated prior to 1983.

Likewise, the delay in the construction of flats pointed out by Audit was based on the period taken in the completion of flats beyond the stipulated dates mentioned in the respective agreements. Reasons for the delay were recorded in the relevant hindrance registers maintained by the divisional offices.

20.7 Delay in construction

A review of the hindrance registers revealed that the

following were the main reasons for hindrances :

20.7.1 Lack of co-ordination.- There was hindrance in construction ranging from 6 to 20 months in respect of 2,058 flats due to short supply of cement and steel by the two store divisions responsible for procurement and supply of stipulated materials to various construction divisions.

The Executive Engineers of the store divisions concerned stated (July 1989) that the cuts were necessary because the construction divisions were in the habit of exaggerating their demands and in the case of cement, due to its restricted receipt from suppliers.

The Executive Engineers of the concerned construction divisions, however, stated (April/May 1990) that before placing indents for cement and steel, necessary theoretical calculations of expected requirements were made and indents were placed according to requirements. Thus lack of co-ordination in indenting and issuing divisions resulted in avoidable hindrance.

20.7.2 Shortage of other stipulated materials.- There was hindrance ranging from 12 to 47 months in construction of 3,097 flats on account of shortage in supply of sand cast iron/galvanized iron fitting, aldrin and glazed tiles by the store divisions.

The Ministry stated that the shortage of other stipulated materials was delayed sometimes due to non-supply of materials by the suppliers. This type of shortage was unforeseen and could be there for various reasons beyond the control of the manufacturers. The reply was not tenable as in the coordination committee it was decided in November

1985 that in case the materials were not arranged by the store divisions, these must be arranged through local purchases.

20.7.3 Delays in taking decision by higher authorities .- There was hindrance ranging from 12 to 41 months in completion of 2,688 flats due to delays in taking decisions by higher authorities in respect of colour scheme, cement jali, stacking of sand cast iron/galvanized iron sanitary fittings, external plaster, concealed stop cock, selection of firm for coba-treatment, railing for stairs, disposal of surplus earth, heavy section to be used in glazing and position of toilet fixtures, etc. Since, the DDA had been in construction since long, the delays in taking decision on these points were not justified.

The Chief Engineer (SWZ) stated (June 1990) that there was acute shortage of funds in DDA and also shortage of material like cement, steel, SCI/GI pipes, aldrin, shutters and other building material in general.

20.7.4 Drainage and sewerage scheme .- There was hindrance ranging from 12 to 20 months in construction of 3,888 flats due to non-approval of peripheral drainage and sewerage scheme by the Municipal Corporation of Delhi. It was observed that the drainage and sewerage schemes earlier prepared in July 1984 and submitted to the MCD for approval was deficient and in March 1985, a revised scheme was prepared and submitted to the MCD.

There was hindrance ranging from 4 to 14 months in construction of 786 flats on account of height restrictions by the Civil Aviation Department. It was observed that the

heights achieved in pockets 1,2, 3 and 8 of sector 'C' and pockets 7 and 8 of sector 'D' were in excess, ranging upto 17 feet. The Vice-Chairman, DDA, had written to the National Airports Authority (September 1986) for taking a considerate and lenient view in the matter as heights of buildings had gone beyond the restricted heights due to undulated topography of the area and ignorance on the part of his staff.

There was hindrance ranging from 12 to 23 months in construction of 1,132 flats on account of delay in preparation of layout plan by architects (Planning Wing) and structural drawings by the Chief Engineer (Design) of DDA. No reasons as to why the drawings could not be got completed before award of the works were made available to Audit.

20.7.5 Shortage of funds .- The hindrance registers revealed that in the case of 494 flats delay ranging from 12 to 24 months occurred due to shortage of funds. Such a reason could not be appreciated in view of money collected from the allocatees, with the initial receipt of Rs.8,156.85 lakhs (approximately) in two instalments under the scheme apart from the receipts of third and fourth instalments against the total expenditure of Rs.10,360.91 lakhs.

The DDA stated (March 1990) that the scheme wise details of funds released were not maintained by DDA upto April 1987 and the funds were released to the division on lumpsum basis. Hence there was no foolproof mechanism for release of funds for the project at Vasant Kunj. After April 1987, the funds were released in full as per requirements of the various construction divisions and subsequently there was no shortage of funds.

20.8 Peripheral water supply line and sewer treatment plant

20.8.1 The integrated water supply scheme for Vasant Kunj was taken up with the MCD in July 1984 and it was approved by the MCD in September 1984. Initially the MCD agreed to supply 5.787 million gallon (mgd) of water per day for Vasant Kunj. Later, in November/December 1985, MCD informed that the supply would be restricted to one mgd. The work of providing peripheral water supply line in Sectors 'A' to 'D' of Vasant Kunj consisted of:

providing and laying,

- (i) 600 mm dia pressed steel cast (PSC) pipe line from Deer Park, Hauz Khas to the underground tank in Sector 'B' at Vasant Kunj;
- (ii) pipe line in area west of the underground tank comprising of a portion of sector 'B' and of the entire sector 'C' (Part-II); and
- (iii) pipe line in area east of the underground tank comprising of a portion of sector 'B' and of the entire sector 'A' and 'D' (Part-I).

The work mentioned at serial number (ii) and (iii) were awarded to a contractor in April 1986 for Rs.107.15 lakhs to be completed by April 1987. These works could not be completed till May 1990 even after a delay of more than three years. A sum of Rs.78.67 lakhs had been spent on these works till May 1990.

Completion of providing and laying 600 mm dia PSC pipe line from Deer Park, Hauz Khas to the underground tank at Sector 'B' in Vasant Kunj after delay of more than three years adversely affected the allottees.

The Notice Inviting Tenders for the work of providing and laying 600 mm dia PSC pipe line from Deer Park, Hauz Khas to the underground tank at Sector 'B' in Vasant Kunj was issued in December 1985. The work was awarded (April 1986) to contractor 'A' who also executed the work mentioned at serial number (ii) and (iii), at a tendered cost of Rs.51.02 lakhs against the estimated cost of Rs.47.24 lakhs. As per agreement the work was to be completed by April 1987. The work was not completed till October 1989 although the payment of Rs.70.39 lakhs was made to the contractor. The DDA stated (November 1989) that the work could not be completed since PSC pipes of 600 mm dia and allied fittings could not be supplied to the contractor due to non-availability of the same with store division. It was further stated that the store division would not be in a position to supply the same in the next six to seven months. The reasons for non-supply of PSC pipe line of 600 mm dia and allied fittings by the store division were, however, not furnished to Audit. The work was closed in December 1989 and the balance of work was awarded (January 1990) to another contractor 'B' at a tendered cost of Rs.17.09 lakhs against an estimated cost of Rs.10.95 lakhs who completed the work in May 1990.

The work could be completed only in May 1990 and that too after an extra expenditure of Rs.31.40 lakhs apart from the final bill yet to be submitted by the contractor. Thus, allottees of Vasant Kunj had been adversely affected due to non-completion of this line as they were getting only 0.5 mgd. water against full supply of one mgd. DDA stated (May 1990) that 4,510 allottees were getting MCD water, 3,847 tube-well water and 200 through water tanks. The Executive Engineer (Water),

South Zone, MCD, stated (October 1989) that proper supply can be maintained only after the completion of the 600 mm dia pipe line.

20.9 Monitoring

There was a co-ordination committee headed by a Chief Engineer, with engineers, architects and the representatives of land department as its members to monitor. Meetings of the committee were held from time to time. The decisions taken by the committee were, however, not fully adhered to. For instance, the committee in its meeting on 4 November 1985 decided that in case material was not arranged by the store divisions, it must be arranged through local purchase by taking prior approval from the Chief Engineer. This decision was, however, not implemented and the construction of 4,605 flats was delayed for a period ranging upto 47 months on account of short supply of stipulated material.

In the meeting held in December 1987 regarding the various works of Vasant Kunj, the huge requirement of shutters was discussed and the Vice-Chairman desired that the Chief Engineer, Western Zone, should arrange to supply 7,358 shutters (4,719 panel door shutters and 2,639 flush door shutters) within a week positively. However, the Chief Engineer (SWZ) brought to the notice of Engineer Member (November 1988) the acute shortage of panel door shutters only after one year from the date of the meeting.

Project Evaluation and Review Techniques (PERT) charts were maintained by the engineering staff at their respective sites. But these were not modified/updated when the difficulties/hindrances in the execution of works cropped up and persisted. Hence the very purpose

of preparation of PERT charts was defeated.

21. Construction of night shelters

21.1 Introduction

Night shelters or 'ran-baseras' are places where the homeless take shelter at night. Generally they comprise low paid workers such as coolies, shoe shine boys, load carriers, rag pickers and such others working in the informal sector. The inmates are provided amenities such as blankets, mattresses, jute carpet, reading material and television for cultural upgradation. Shelter is available to the male population. The facility is not available to women and children. Night shelters have been constructed by several organisations, namely, the Municipal Corporation of Delhi, New Delhi Municipal Committee, Bharat Sewak Samaj, Rotary Club and the Slum Department of the Delhi Development Authority (DDA).

In April 1985 there were 14 night shelters in various parts of Delhi with a capacity of 4,850 inmates run by the Slum Department of the DDA.

21.2 Scope of Audit

Records relating to the construction of three units of night shelters during 1985-86 to 1989-90 were test checked during March to June 1990. However, the records for the construction of night shelters at Hazrat Nizamuddin, Azadpur Subzi Mandi and Meena Bazar-Jama Masjid were not made available for test check.

21.3 Organisational set up

The Night Shelter Scheme was monitored by a Director and the construction of night shelters was

planned by a Superintending Engineer. The scheme itself was managed and supervised by a Deputy Director and other staff. Security of the night shelters was entrusted to outside agencies who provided security guards for maintaining law and order and security of stores and stocks at the night shelters.

21.4 Highlights

- Against the release of grant of Rs.252.67 lakhs by the Delhi Administration for construction of night shelters or 'ran-baseras' to provide shelter at night to the shelterless during 1985-1990, Delhi Development Authority incurred an expenditure of Rs.263.97 lakhs; Rs.121.18 lakhs were spent on construction of 15 night shelters including four in progress in different parts of Delhi and Rs.142.79 lakhs were diverted for other activities including Rs.32.22 lakhs on construction of Haj Manzil.
- No survey to assess the shelterless in the Union Territory of Delhi was taken up before implementation of the scheme. The social objective of providing shelters to the homeless was not fully met. The facility was not available to women and children.
- As against the target of constructing 25 units, 15 units were constructed. The target of providing shelter for 10,000 inmates has not been achieved.
- Night shelters were constructed at places where the sites were not necessarily the most suitable for fulfilling the needs of the shelterless.

- In April 1987, investment of rupees one crore was made out of the unspent amount of the scheme into fixed deposit with a nationalised bank.
- Non-utilisation of four units resulted in an unproductive expenditure of Rs.29.15 lakhs.
- Voluntary organisations were not fully involved in organising and maintaining the night shelters.
- An excess expenditure of Rs.3.29 lakhs was incurred on the construction of a night shelter at Shahzada Bagh.

21.5 Targets and achievements

The Slum Department of the DDA undertook a survey of night shelters in 1981 and it was found that the available accommodation was not sufficient; that the then existing night shelters were substandard; and that some of the temporary ones did not even have basic amenities like community baths and toilets. There was an urgent need for more night shelters to be constructed near the railway stations, Inter State Bus Terminus, Subzi Mandi, Nehru Place and Rajendra Place.

On the basis of the survey it was proposed to construct more night shelters in order to accommodate 10,000 persons.

During the Seventh Five Year Plan, a scheme for the construction of 25 night shelters in different parts of Delhi with an outlay of rupees three crores was approved.

The DDA did not make any survey in 1985 before the implementation of the scheme and as such could not assess the number of shelterless in the Union Territory of Delhi. Suitable sites, where the night shelters were actually

required, could not be constructed due to non-availability of land. The night shelters were constructed at places where the sites were not necessarily the most suitable for fulfilling the needs of the shelterless. Besides, no effort was made to provide shelters for women and children to fully meet the social objective of providing

shelter to the homeless.

The yearwise amount released by Delhi Administration for construction of night shelters, the amount utilized by DDA (Slum) and the progressive amount of unspent balance lying with them was as follows:-

Year	Amount released by Delhi Administration	Actual expenditure	Unspent amount adjusted by Delhi Administration	Unspent progressive balance
	(In lakhs	of	rupees)	
1985-86	70	14.36	-	55.64
1986-87	100	38.52	-	117.12
1987-88	100	38.86	29.21	149.05
1988-89	80	50.02	80.00	99.03
1989-90	50	122.21	38.12	(-)11.30
Total	400	263.97	147.33	

Delhi Administration released a grant of rupees four crores in the Seventh Five Year Plan. After adjustment of the unspent amount of Rs.147.33 lakhs, the net amount of release available with the DDA was Rs.252.67 lakhs.

Out of the total expenditure of Rs. 263.97 lakhs upto 1989-90, DDA constructed night shelters at six places at Azadpur Subzi Mandi, Nizamuddin, S.P. Mukherjee Market, Paharganj, Meena Bazar-Jama Masjid and Turkman Gate for Rs.80.94 lakhs.

In addition, the construction of one of the three units at Shahzadâ Bagh had been completed and the work of remaining two units and two units at Lahori Gate was under progress. The expenditure incurred on these units upto March 1990 was Rs.40.24 lakhs. Thus out of the total sanction of Rs.400 lakhs and

net release of Rs.252.67 lakhs, DDA incurred an expenditure of Rs.263.97 lakhs. Out of this the DDA actually incurred an expenditure of Rs.121.18 lakhs on the construction of 15 units at 8 places as against the target of 25 units to be constructed at different places. The balance of Rs.142.79 lakhs was irregularly diverted for other activities such as construction of Haj Manzil (Rs.32.22 lakhs), renovation of old night shelters (Rs.28.36 lakhs), purchase of jeep (Rs.1.39 lakhs) and purchase of items for managing the day to day business of the night shelters which were required to be met out of the revenues of the DDA.

The DDA kept requesting the Delhi Administration for release of funds during 1985-86 to 1989-90 on one ground or the other without pursuing the activity of constructing new shelters. Out of the unspent balance, a sum of rupees one

crore was unauthorisedly invested in a fixed deposit account with a nationalised bank in April 1987 which was encashed in November 1987.

21.6 Under-utilisation of night shelters

Out of the three night shelters constructed at Azadpur Subzi Mandi in February 1987 at a cost of Rs.26.45 lakhs, one was under operation, one was not being utilised and the other one was being used for office purpose. Two units constructed at Paharganj at a cost of Rs.11.52 lakhs in January 1988 were not under operation due to resistance from local public. Thus non-utilisation of four units (two at Azadpur Subzi Mandi costing Rs.17.63 lakhs and two at Paharganj costing Rs.11.52 lakhs) resulted in an unproductive expenditure of Rs.29.15 lakhs. Remaining seven night shelters constructed at six places during February 1987 to September 1989 housed on an average 1,469 persons per day at the peak of winter season.

The survey of 1981 envisaged that the maintenance of night shelters should be entrusted to non-profit making voluntary organisations. Non-involvement of any such organisation in the functioning of the night shelters is an indicator of lack of perception and proper planning. Unless voluntary organisations are fully involved in the management and encouraged to participate, the social objectives of the scheme for providing night shelters to the shelterless can not be achieved. However, voluntary organisations were not fully involved in organising and maintaining the night shelters.

21.7 Infructuous expenditure

In the annual plan 1985-86, Slum Wing of the DDA had to start

construction of night shelters at Pili Kothi along with six other night shelters and accordingly the Delhi Administration on the request of the DDA released Rs.52.50 lakhs in January 1986 and Rs. 17.50 lakhs in March 1986. The DDA without identifying the site at Pili Kothi invited tenders for construction of night shelters in February 1986 to be opened in March 1986. Out of five tender forms sold, only one tender was received which was accepted by the DDA and an agreement was executed in August 1986.

As the DDA had no site at Pili Kothi and to avoid a dispute between DDA and the contractor, the work was given to the same single tenderer for construction of a three storey building to be used as night shelter at Shahzada Bagh though the site was not fit for starting construction. The work was to commence in December 1986 and to be completed by December 1987; the same was completed in May 1990 due to the delays on the part of DDA. The work was started in April 1987. As against the total payment of Rs. 26.84 lakhs to be made for the construction of night shelters at Shahzada Bagh, the DDA made a part payment of Rs.30.13 lakhs resulting in an excess expenditure of Rs.3.29 lakhs. The final payment of the bill was yet to be made.

These observations were referred to the Ministry of Urban Development in September 1990; no reply has been received (February 1991).

22. Outstanding premium in respect of commercial plots

Delhi Development Authority (DDA) sold by auction in 1980 and 1982 nine commercial plots. Relaxation of terms and conditions of the auction in an adhoc manner has resulted not only in non-

realisation of Rs.47.35 crores (including interest) for the last eight to ten years but it also gave rise to litigation. These plots are situated in Nehru Place (one), Jhandewalan (one), Laxmi Nagar (five), Yusuf Sarai (one), and Bhikaji Cama Place (one). These were auctioned at a total cost of Rs.33.06 crores and a sum of Rs.8.265 crores, being 25 per cent of the bid money was realised at the fall of hammer as earnest money. An amount of Rs.47.35 crores (including interest) remained to be realised (May 1990).

Under the terms and conditions of auction of commercial plots, the highest bidder was required to deposit 25 per cent of the bid amount at the fall of hammer, and the remaining 75 per cent was to be paid within three months from the date of acceptance of the bid in writing by DDA. In case of default the earnest money was to be forfeited under the DDA (Disposal of Developed Nazul Land) Rules, 1981.

All the bidders of these plots failed to pay the balance 75 per cent bid amount within the stipulated period and applied for extension of time on the plea that the monetary situation in the market was adverse due to credit squeeze by the Reserve Bank of India. The Lt.Governor of Delhi constituted a committee for examining the request for extension of time. On the recommendation of the committee, the DDA referred the cases to the Central Government for relaxation of the Nazul Rules. Directions issued by the Government and the action taken by the DDA resulted in non-finalisation of the cases for more than eight years as enumerated below:

(i) In one case (Nehru Place) in which an amount of Rs. 6.10 crores towards 75 per cent bid money plus

interest was outstanding, possession of plot was handed over to the purchaser as per directions of the Government on further payment of 25 per cent bid money and on furnishing of bank guarantee for the balance 50 per cent, being payable in five equated six monthly instalments of Rs.166.20 lakhs each. The purchaser paid only Rs.46.80 lakhs towards the first instalment. Building plans were not cleared due to ban on multi-storeyed buildings imposed in October 1985. The purchaser constructed a 16 storeyed building and obtained orders of the High Court restraining DDA from taking any action. Final verdict of the Court was awaited.

(ii) In another case (at Jhandewalan), possession of plot was handed over to the purchaser in August 1987 and the terms and conditions of the auction were relaxed envisaging payment of balance amount of Rs.9.77 crores in five equated half yearly instalments. The purchaser did not pay four of the five instalments till date because the building plans were not cleared due to ban on multi-storeyed buildings imposed in October 1985. The purchaser filed a case in the High Court and the building plans were passed as per directions of the Court subject to certain conditions regarding payment of DDA dues. DDA filed an appeal in the Supreme Court and orders were passed in May 1990 by the Court that the purchaser cannot construct the building till the payment of Rs.1.94 crores is paid to DDA. The amount of Rs.1.94 crores has since been paid by the bank from the bank guarantee. The case is pending in the Court and the DDA has staked its claim for balance amount alongwith interest.

(iii) In five cases (Laxmi Nagar) involving an outstanding amount of Rs. 8.36 crores plus interest, the cases were referred to Central

Government which directed that auction purchasers should be given option either to take the refund of their earnest money or to pay the balance amount in suitable instalments plus compound interest at the rate of 18 per cent per annum in either case.

The DDA, however, did not clarify as to what rate and nature of interest would be paid while giving the said options to the purchasers. Two purchasers requested for refund and the other three sought clarifications as to the nature of interest which would be paid.

The DDA while finding itself not reconciled with the directions of the Government again referred the matter to the Government in February 1990 suggesting that the auction purchasers should be given option either to take the refund of earnest money or to pay the balance amount alongwith simple interest at a suitable rate in either case.

(iv) In case of the plot at Yusuf Sarai, possession of the plot was handed over to the bidder in October 1985 as per directions of the Government merely on furnishing of bank guarantee for the outstanding 75 per cent of the bid amount. The building plans could not be sanctioned due to ban on high rise buildings. Subsequently in August 1988, the bidder moved the Court.

The Court, *inter alia*, directed the petitioner in December 1989 to pay a sum of Rs.10 lakhs within two weeks, and the balance amount in two instalments after sanction of building plans. The Supreme Court directed the purchaser in June 1990 not to proceed with the construction over the plot till they make payment of Rs.20 lakhs. The entire amount to be paid upto 15 July 1990 was Rs.33.74 lakhs.

(v) In case of the plot at Bhikaji Cama Place, the bidder failed to deposit the balance 75 per cent bid amount within the stipulated time and the bid was cancelled and the earnest money was forfeited. But the cancellation could not be issued as the file was with the Central Bureau of Investigation. On return of the file, the case was clubbed with other cases of Nazul land and referred to the Central Government for directions in August 1984. In the meantime the purchaser obtained stay order *ex parte* from the High Court against the cancellation.

These cases were referred to the Ministry of Urban Development in August 1990; no reply has been received (February 1991).

23. Construction of cultural centre, mini hospital and practice hall at Asian Games Village Complex

The final bill for the construction of cultural centre, mini hospital and practice hall at Asian Games Village Complex was passed for minus payment of Rs.45.69 lakhs in January 1989; more than six years after the completion of the work in November 1982. Timely action was not taken on the report of February 1982 of the Chief Technical Examiner and to recover the cost of material issued and the secured advance paid to the firm. No recovery to set off the minus payment had been effected as the matter had been under arbitration from September 1983.

The Project Engineer of Delhi Development Authority (DDA) awarded the work to a firm in January 1981 at the tendered amount of Rs.119.54 lakhs which was 60.09 per cent above the estimated cost of Rs.74.67 lakhs. Construction to begin in February 1981 was to be completed by February 1982.

The progress of work was slow as pointed out to the contractor in June and December 1981. The Chief Technical Examiner (CTE) in his report of February 1982 pointed out various defects in RCC work, brick work, cement plaster, stone work, etc. When the progress of work was again reviewed in July 1982 it was emphasised that the work should be completed by August 1982 in view of the ASIAD. The firm expressed, in writing, in July 1982 their inability to complete the work and agreed to the deployment of departmental labour, material, tools and plants or other agencies at their risk and cost without prejudice to its rights to seek arbitration in the matter of all disputes. Accepting the firm's proposal, the Project Board in its meeting held in July 1982 authorised the Chief Project Officer to split up various items of balance work in parts to get the work completed expeditiously. Accordingly the work was split up and got completed, in November 1982, by various agencies on work order basis at an extra cost of Rs.9.18 lakhs. Later on, reduction in rate statements on account of defects pointed out by CTE were approved by the Chief Engineer/Chief Project Officer in October 1983 and deduction was made in the final bill. The final bill of the firm, passed in January 1989 was for minus payment of Rs. 45.69 lakhs. The security deposit of one lakh rupees of the firm was forfeited. A sum of Rs.95.52 lakhs had already been paid to the firm by July 1982.

On receipt of a letter from the firm in January 1983, the Engineer Member (DDA) appointed an arbitrator in September 1983 but the arbitrator resigned and another appointment was made in 1989. The

firm submitted claims for Rs.45.35 lakhs. The DDA submitted counter claims for Rs. 48.64 lakhs. The case was still pending in arbitration (May 1990).

The following are the main points that emerge:-

- (i) The engineers of the DDA under whose supervision the work was being executed could not detect the defects which were pointed out by CTE in February 1982.
- (ii) Reduction in rates on account of defects pointed out by CTE in February 1982 was approved by competent authority in October 1983 with the result that no recovery could be made from the firm's running account bills paid till July 1982.
- (iii) Even the recovery of secured advance and cost of material at normal rate amounting to Rs.6.54 lakhs was not effected from the firm's running account bills.

The DDA stated (September 1990) that the running payments were allowed to the contractor as advance payment adjustable against the final payment and for most of the defective work, part rates were paid. The reply furnished by the DDA was, however, not tenable as owing to inadequate supervision and lack of timely action on the report of CTE, the payments made on running bills resulted in overpayment of Rs.45.69 lakhs including Rs.15.36 lakhs on account of defective work pointed out by CTE.

The matter was referred to the Ministry of Urban Development in July 1990; no reply has been received (February 1991).

24. Irregular rescission of contract

The work "Construction of 448 MIG houses at Pitampura residential Scheme H-5, Pocket-K (poorvi) Sub-head : Construction of 192 MIG Dwelling Units at Pitampura Pocket 'K' Poorvi Group-I including internal development" was awarded by Delhi Development Authority (DDA) to a contractor in April 1982 at his tendered cost of Rs.73.68 lakhs. The work was to be completed on 6 May 1983.

Progress of work was very slow from the beginning and despite repeated notices by the Executive Engineer (EE) to accelerate the pace of work the position did not improve. Upto the stipulated date of completion (6 May 1983) only 12.57 per cent of the work valuing Rs.9.24 lakhs was completed. The contractor had also been asked during August 1982 to August 1983 to rectify certain defects in the works executed by him but he did not comply.

In October 1983, when work valuing Rs.9.35 lakhs was completed, the contractor abandoned the work and did not reply to the show cause notice which was issued by the EE in June 1984 after 13 months from the stipulated date of completion. Consequently the contract was rescinded in July 1984. A compensation of rupees four lakhs for execution of defective work was levied on the contractor in July 1984 and another compensation of Rs.4.01 lakhs was levied in May 1985 for delay in execution of the work after issuing a show cause notice in March 1985.

The balance work was got completed through another contractor in March 1988 at an extra expenditure of Rs.16.78 lakhs. The DDA also incurred an expenditure of

Rs.0.97 lakh between March and August 1985 on rectification of defects.

The matter was referred to an arbitrator in May 1985. The arbitrator awarded in January 1988 a sum of Rs.2.43 lakhs in favour of the contractor on account of work done (Rs.1.80 lakhs), increase in rates of bricks (Rs.0.29 lakh) and tools and plants etc. seized by the department (Rs.0.34 lakh), besides the refund of security deposit of Rs.0.49 lakh withheld by the DDA. The arbitrator also allowed interest at the rate of 12 per cent per annum on the amount of the award. The counter claims of the DDA for Rs.28.58 lakhs were disallowed by the arbitrator except for a claim of Rs.0.02 lakh on the grounds that:

- (i) Action to rescind the contract had been taken after one year from the stipulated date of completion and that the DDA was partly responsible for delay in completion of work due to revision of drawings etc.;
- (ii) Show cause notice for levy of compensation for delay in completion of work had been issued nearly two years after the stipulated date of completion;
- (iii) No show cause notice had been issued before levy of compensation for defective work;
- (iv) Details of steel lying at the site of work furnished by the contractor on 1 September 1984 had not been controverted and no notice had been given to contractor to present at the time of actual weighment; and
- (v) No consolidated list of defects had been given to the

contractor and the defects removed were other than those pointed out during execution of work and that the defects had been got removed nearly eight to twelve months after the rescission of the contract.

The High Court upheld the award of the arbitrator except for ordering the recovery of Rs.0.68 lakh made by the DDA on account of material issued to the contractor on other works as justified and granted a decree for Rs.2.20 lakhs in September 1989. The Court further allowed two months to DDA for payment of decretal amount, failing which the contractor would be entitled to interest at 12 per cent per annum on the said amount from the date of decree till payment. A sum of Rs. 2.31 lakhs including interest of Rs.0.11 lakh was paid to the contractor in February 1990.

Thus failure on the part of DDA to take timely action to levy the compensation for delay, rescind the contract, point out the defects in the execution of work, preparation/finalisation of drawings, etc. resulted in loss of Rs.20.23 lakhs on account of non-recovery of extra expenditure on completion of balance work, rectification of defects and shortage of steel and cement etc. No responsibility for the loss and delay in the completion of flats had been fixed (January 1990).

The DDA stated, in July 1990, that before initiating action to rescind the contract full opportunity was afforded to the agency to complete the work and several pros and cons were to be weighed before arriving at the decision to rescind the contract. Another factor for delay in rescission of the contract was stated to be the frequent transfers

of the Executive Engineers between 1982 and August 1983.

The fact remains that the completion of flats was delayed by about five years depriving the registered applicants from getting the flats within a reasonable time.

The matter was referred to the Ministry of Urban Development in May 1990; no reply has been received (February 1991).

25. Delay in finalisation of drawings

The work of construction of 180 dwelling units and 144 scooter garages under the Self Financing Scheme (SFS) at Wazirpur, Phase-III, was awarded to a contractor in April 1982 at the tendered amount of Rs.171.88 lakhs which was 77.95 per cent above the estimated cost of Rs.96.59 lakhs. The work was to be commenced in April 1982 and completed by January 1983.

Secured advance of Rs.7.82 lakhs (Rs. 4.24 lakhs in May 1982 and Rs. 3.58 lakhs in July 1982) was paid to the contractor against the material brought at site. The work was, however, not started till December 1982 due to non-availability of site, non-testing of soil for foundations and non-finalisation of structural drawings. The contractor closed the work and withdrew all watch and ward from the site and applied for arbitration in November 1982. The arbitrator was appointed by the Engineer Member, Delhi Development Authority (DDA) in August 1983. The contractor submitted claims for Rs.21.41 lakhs before the arbitrator. The DDA in turn lodged a counter claim of Rs.7.19 lakhs on account of refund of secured advance and shortage of steel.

The arbitrator in his award of May 1985 observed that the work could not be started by the firm due to non-availability of foundation drawings till the stipulated date of completion and awarded to the contractor Rs.1.72 lakhs (rupees one lakh on account of compensation for loss of profit and Rs.0.72 lakh on account of expenditure incurred on the construction of labour huts, godown, establishment, material brought at site, etc.) after adjustment of the cost of material of Rs.0.12 lakh against the DDA's claim of Rs.0.25 lakh. The counter claim of Rs. 4.91 lakhs of DDA on account of balance amount of secured advance after auction of the material left at site by the contractor was rejected by the arbitrator on the basis of records of material actually available at site at the time of taking over the same by DDA.

The High Court dismissed the objections raised by DDA and made the award a rule of the Court in May 1986 allowing future interest at the rate of 12 per cent in case the payment was not made by the DDA within two months from the date of orders till realisation. Later on,

the Manager, Canara Bank, Ashok Vihar, received Court's warrant of attachment dated 6 March 1987 asking the bank to remit Rs.1.90 lakhs including interest till 2 April 1987. An amount of Rs.1.90 lakhs was accordingly deposited by the bank with the High Court of Delhi on the stipulated date.

The department rules require that no tender notice should be issued unless all tender documents including a set of complete drawings (architectural and structural) are ready. The DDA did not adhere to these provisions which resulted in loss of Rs.6.81 lakhs; Rs.4.91 lakhs on account of non-recovery of secured advance and Rs.1.90 lakhs paid to the contractor as compensation for profit etc.

No responsibility had been fixed and the matter was stated (April 1990) to be under investigation with the Vigilance Department of DDA.

The matter was referred to the Ministry of Urban Development in June 1990; the reply has not been received (February 1991).

CHAPTER-IV

REVENUE DEPARTMENTS OF DELHI ADMINISTRATION

26. Trend of revenue receipts

The total revenue receipts of the Delhi Administration for the year 1989-90 were Rs.892.80 crores against the anticipated receipts of Rs.869.55 crores. The revenue receipts during the year registered an increase of 31.84 per cent over those of 1987-88 (Rs.677.19 crores) and 9.74 per cent over those

of 1988-89 (Rs.813.57 crores). Out of total revenue receipts of Rs.892.80 crores, tax revenue accounted for Rs.859.76 crores and the balance of Rs.33.04 crores was from non-tax revenues. The revenue receipts during the year under the major heads of revenue alongside corresponding figures for the preceding two years are given below:-

Sl. No.	1987-88 (in crores of rupees)	1988-89	1989-90
A Tax revenue			
1.Sales tax	431.82	524.59	597.96
2.State excise	131.43	159.40	145.07***
3.Taxes on goods and passengers (Terminal tax)**	33.26	34.73	34.85
4.Stamp duty and Registration fees	24.73	32.73	34.85
5.Taxes on motor vehicles	18.58	27.07	31.59
6.Land revenue	.01	.02	.03
7.Other taxes and duties on commodities and services including Entertainment tax	13.45	14.36	15.41
Total tax revenue	653.28	792.90	859.76
B Non tax revenue	23.91	20.67	33.04
C Total revenue receipts	677.19*	813.57*	892.80*

Most of the non-tax revenues are accounted for under the heads - 'Other administrative services', 'Police' and 'Education'.

Note :-

*Information furnished by the Controller General of Accounts and Principal Accounts Office, Delhi Administration.

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

***The decline in the revenue in State excise is due to transfer of sale of country liquor from Excise

Department to Delhi Tourism Development Corporation with effect from 15.5.1989.

collection under the principal heads of revenue and the percentage of cost of collection to gross collection during 1989-90 alongwith the preceding two years are indicated below:-

27. Cost of collection

The expenditure incurred on

<u>Tax revenue</u> Receipt head	Year	Gross collec- tion (in crores of rupees)	Expenditure on collect- ion	Percentage of cost of collection to gross collection	All India average (percent- age) for 1988-89
Sales tax	1987-88	431.82	3.72	1	
	1988-89	524.59	4.20	1	
	1989-90	597.96	4.62	1	1.5
State excise	1987-88	131.43	0.75	1	
	1988-89	159.40	0.90	1	
	1989-90	145.07	0.94**	1	5
Taxes on goods and passengers (Terminal tax)	1987-88	33.26	3.29	10	
	1988-89	34.73	3.37	10	
	1989-90	34.85	3.93	11	4
Stamp duty and Registr- ation fees	1987-88	24.73	0.12	Negligible	
	1988-89	32.73	0.14	Negligible	
	1989-90	34.85	0.18	Negligible	6
Taxes on motor vehicles	1987-88	18.58	0.94	5	
	1988-89	27.07	1.08	4	
	1989-90	31.59	1.21	4	4
Land revenue	1987-88	0.01	*	*	
	1988-89	0.02	*	*	
	1989-90	0.03	*	*	
Other taxes and duties on commodities and services (including Entertainment tax)	1987-88	13.45	0.07	1	
	1988-89	14.36	0.08	1	
	1989-90	15.41	0.08	1	
Total	1987-88	653.28	8.89	1	
	1988-89	792.90	9.77	1	
	1989-90	859.76	10.96	1	

* The staff deployed for collection of land revenue does not exclusively do this work, but also performs other miscellaneous functions. Hence no separate figures for expenditure on collection can be intimated.

** The increase in the cost of collection is due to the inclusion of expenditure on propogation of prohibition which was not included in the previous year.

Sales Tax

28. 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 rupees one 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 in inter-state sales or purchases for any amount. The number of registered dealers during the last three years ending 31 March 1990 as furnished (January 1991) by the Sales Tax Department, Delhi Administration is given below. The figures within brackets indicate the number of dealers registered under the Central Sales Tax Act, 1956.

	As on		
	31.3.1988	31.3.1989	31.3.1990
1.Total number of registered dealers	1,00,207 (94,298)	1,05,343 (99,311)	1,08,831 (1,02,744)
2.a)Number of dealers having turnover of rupees ten lakhs and above	20,430 (19,313)	22,315 (21,234)	32,739 (30,269)
b)Number of dealers having turnover exceeding rupees five lakhs but below rupees ten lakhs	19,299 (18,035)	25,598 (25,048)	24,146 (23,050)
c)Number of dealers having turnover exceeding rupees one lakh but below rupees five lakhs	35,552 (33,443)	35,398 (32,742)	36,008 (34,841)
d)Number of dealers having turnover less than rupees one lakh	24,926 (23,507)	22,032 (20,287)	15,938 (14,584)

29. Assessments pending finalisation

The table below indicates the number of assessments due for completion during the years 1987-88, 1988-89 and 1989-90, the number of assessments completed during

those years and the number of assessments pending finalisation at the end of these years. It also shows the yearwise break up of outstanding assessment at the end of the years 1987-88, 1988-89 and 1989-90.

	1987-88	1988-89	1989-90
1. Number of assessments due for completion during the year			
i) Arrear cases	5,00,541	5,26,419	5,50,025
ii) Current cases	1,99,027	1,99,859	2,06,150
iii) Remand cases	-	4,503	4,160
2. Number of assessments completed during the year			
i) Arrear cases	1,64,103	1,71,118	2,06,619
ii) Current cases	2,556	4,657	61
iii) Remand cases	-	1,155	2,048
3. Number of assessments pending finalisation at the end of the year			
i) Arrear cases	3,33,602	3,50,114	3,12,709
ii) Current cases	1,90,817	1,99,911	2,08,180
iii) Remand cases (including 61 cases added after physical verification made by department)	-	3,348	-
4. Yearwise break up of pending assessments			
1984-85	1,58,408	-	-
1985-86	1,75,194	1,66,207	-
1986-87	1,90,817	1,83,907	1,19,410
1987-88	-	1,99,911	1,93,299
1988-89	-	-	2,08,180

30. Sales tax demands in process of recovery

As on 31 March 1990, sales tax dues amounting to Rs.564.04 crores were pending collection from

defaulting assesseees. According to the information furnished by the department (January 1991), these arrears were in the following stages of action.

Stage of action	Amount of tax in arrears					
	1987-88		1988-89		1989-90	
	Local	Central	Local	Central	Local	Central
	(In crores of rupees)					
1. In process of recovery including recovery of arrears of land revenue	108.20	27.30	161.27	37.08	218.53	94.94
2. Recovery stayed by courts	8.66	3.21	7.83	2.74	48.97	9.93
3. Recovery stayed by other authorities	49.25	11.58	54.45	11.86	33.85	20.18
4. Recovery held up due to insolvency of dealers	4.97	0.94	3.58	1.77	34.60	6.23
5. Recovery held up on appeal or review	33.70	10.38	37.39	8.92	32.35	12.87
6. Demands likely to be written off	11.71	2.17	10.05	2.28	20.94	4.60
7. Other reasons	43.62	5.51	54.77	6.84	18.64	7.41
Total	260.11	61.09	329.34	71.49	407.88	156.16
	321.20		400.83		564.04	

31. Recovery certificates pending

The table below indicates recovery certificates pending as at the end of March 1990, number of recovery certificates issued and disposed of alongwith their money

value during the year 1989-90 and the number of recovery certificates pending where the amount of tax involved is Rs.20,000 or more in each case according to the information furnished by the department (January 1991).

	Number of recovery certificates pending	Amount (In crores of rupees)
1.Total number of recovery certificates pending as on 31.3.1990 and the tax amount involved	34,258	116.58
2.Total number of recovery certificates issued during the year 1989-90	4,723	47.39
3.Total number of recovery certificates disposed of after the recovery of tax during the year 1989-90	5,368	20.24
4.Total number of recovery certificates pending where the amount of tax involved is Rs.20,000 or more in each case	8,518	10.80

32. Frauds and evasions

According to the information furnished by the Department (November 1990) 2,722 cases of frauds and evasions involving revenue amounting to Rs.55.80 crores were both under the Local and Central Sales Tax Acts. Out of these, 585 cases involving revenue of Rs.7.53 crores were detected

during the year and the remaining cases related to previous years. The following table indicates the position of the cases pending at the commencement of the years 1987-88, 1988-89 and 1989-90, the cases disposed of during these years and the cases outstanding at the end of these years:

	1987-88				1988-89				1989-90			
	No. of cases		Amount (in crores of rupees)		No. of cases		Amount (in crores of rupees)		No. of cases		Amount (in crores of rupees)	
	Local	Central	Local	Central	Local	Central	Local	Central	Local	Central	Local	Central
A. (i) Cases pending at the beginning of the year	754	454	8.24	2.24	509	460	25.11	13.00	404	372	14.43	5.94
(ii) Cases detected during the year	294	250	51.72	20.00	302	258	12.24	5.12	303	282	5.41	2.12
B. Cases in which investigation/assessment were completed during the year												
(i) Out of cases at A(i) above	388	102	4.10	1.14	246	207	15.36	8.46	224	203	7.64	3.32
(ii) Out of cases at A(ii) above	151	142	30.75	8.10	161	139	7.56	3.72	168	154	3.02	1.18
C. Cases which were pending at the end of the year												
(i) Out of cases at A(i) above	366	352	4.14	1.10	263	253	9.75	4.54	180	169	6.79	2.62
(ii) Out of cases at A(ii) above	143	108	20.97	11.90	141	119	4.68	1.40	135	128	2.39	0.94

33. Loss of revenue due to time barring

Under Section 24 of the Delhi Sales Tax Act, 1975, whereafter a dealer had been assessed under Section 23 for any year, if the Commissioner has reason to believe that the whole or any part of the turnover of a dealer had escaped assessment, could be reviewed *suo moto* within a period of six years of the date of final order of assessment in case the escapement relates to concealment of turnover and in any other case within a period of four years of the date of final order of assessment/reassessment.

About 3,556 cases of short levy or non levy of tax amounting to Rs.1.88 crores relating to the period upto 1982-83 were pointed out in 443 Inspection Reports for the review by the department in the light of the observations made by Audit. The department, however, did not take any timely action to review these cases for re-assessment resulting in their becoming barred by limitation of time as also in non-recovery of underassessed tax.

On this being pointed out (August 1990) in Audit, the department confirmed the audit point of view (September 1990).

The matter was reported to the Ministry of Home Affairs (October 1990); their reply has not been received (December 1990).

34. Registration and cancellation of dealers in the Sales Tax Department

34.1 Introduction

In the Union Territory of Delhi, Sales tax is levied and

collected under the Delhi Sales Tax Act, 1975 and the Central Sales Tax Act, 1956. 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 rupees one 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. All dealers engaged in interstate trade or commerce or import from and export to a country outside India are also required to get themselves registered under the Central Sales Tax Act, 1956 irrespective of the quantum of turnover.

34.2 Organisational set up

The Sales Tax Department of Delhi Administration is headed by Commissioner of Sales Tax (CST). He is assisted by an Additional Commissioner, two Deputy Commissioners, ten Assistant Commissioners, 82 Sales Tax Officers and Assistant Sales Tax Officers. The work relating to registration, cancellation of registration and assessments, etc. of the dealers is done in 50 wards in respect of the dealers falling within their jurisdiction. There also exists Enforcement Branch, Internal Audit Cell, Special Investigation Branch and Form Branch in the department. For the hearing of appeals against the orders of Commissioner of Sales Tax there is one Member Appellate Tribunal.

34.3 Scope of Audit

The review was conducted by Audit during April to July 1990. The records of all the 50 wards, the Enforcement Branch and Statistical Branch of the Sales Tax Department were test checked.

34.4 Highlights

- Due to poor monitoring by the department of the registration and cancellation of registration of the dealers, the figures of total number of registered dealers supplied by different wings could not be reconciled.
- During the three years, ending March 1990, no dealer liable for registration was detected in 22 out of 50 wards of the department. The number of dealers detected in the remaining 28 wards was insignificant. The percentage of dealers actually registered out of the detected dealers ranged from 13 to 21 during this period.
- Non registration of dealers supplying building material to Central Government Undertakings resulted in loss of revenue amounting to Rs.1.37 lakhs during the period from 1984-85 to 1989-90.
- Non registration as dealers of Kabaris purchasing salvage and waste material of more than Rs.10 lakhs per annum resulted in loss of revenue amounting to Rs.42,490.
- A roadside vendor, who had been showing Rs.34,560 as accumulated liability on account of Sales tax in his Balance Sheet as on 31 March 1983 verified from the Income Tax Department, was not registered with the Sales Tax

Department and not being assessed even as an unregistered dealer after the assessment year 1975-76.

- Non registration as dealer of an Examination Board selling waste paper and whose annual turnover exceeded the taxable quantum resulted in loss of revenue of Rs.0.91 lakh during the period of five years ending 1987-88.
- Non-adherence to the provision of Delhi Sales Tax Act, 1975, resulted in registration of bogus dealers and consequential loss of revenue amounting to Rs.14.73 lakhs.
- Purchase of goods by a dealer without payment of tax by issuing prescribed declarations in form ST-1 prior to the date of registration resulted in evasion of tax amounting to Rs.27,970.
- Delayed cancellation of Registration Certificate and notification thereof resulted in evasion of tax.

34.5 Improper checks on registration and cancellation of registration of the dealers.

The total number of dealers registered, the number of dealers whose registration was cancelled under the Local Act during 1986-87 to 1988-89 as supplied by the wards and compiled by Audit alongwith similar information supplied by the Statistical Branch of the Sales Tax Department is given below:-

Year	Information supplied by wards		Information supplied by the statistical branch	
	No. of dealers registered during the year	No. of dealers whose registration was cancelled during the year	No. of dealers registered during the year	No. of dealers whose registration was cancelled during the year
1986-87	7,104	1,556	7,376	1,933
1987-88	7,537	2,267	6,955	2,672
1988-89	6,822	1,619	6,515	1,613

The difference in the two sets of figures shows that the department was not having adequate checks on the registration and cancellation of registration of the dealers and consequently the correctness of total number of registered dealers in the Union Territory of Delhi, could not be verified in Audit.

34.5.1 Inadequate detection of dealers liable for registration by field staff.-

(a) The field staff posted in the wards are required to make surveys in the market to ensure that the dealers liable for registration do not escape registration. The work is supplemented by the Enforcement Branch of the department which also conducts surveys for the purpose. The number of dealers detected by the field staff during 1986-87 to 1988-89 and the number of wards to which the dealers pertained is given below :

No. of wards	No. of dealers detected during		
	1986-87	1987-88	and 1988-89
22	NIL		
10	Less than 10		
10	Between 11 to 50		
6	Between 51 to 99		
2	More than 100		

It would, thus, be observed that field staff of 22 wards could not detect any dealer liable for registration during the three years ending 1988-89, whereas field staff of only two out of 50 wards could detect more than one hundred such dealers.

(b) The Enforcement Branch headed by a Deputy Commissioner and

assisted by three Sales Tax Officers, three Assistant Sales Tax Officers and 21 Inspectors could detect 178 such dealers during 1987-88 and 1988-89. But the wards which ultimately register the dealers intimated (April to July 1990) that only 125 dealers liable for registration had been detected by the Enforcement Branch and reported to them. The very purpose of detec-

ting the dealers by the Enforcement Branch stood defeated if these were not reported to the wards for registration. Besides, the number of dealers detected by each Inspector of the Enforcement Branch worked out to less than five in a year.

(c) The total number of dealers liable for registration detected by the Sales Tax Wards and the Enforcement Branch and the number of dealers which were ultimately registered during the last three years ending March 1989 are given below :-

Year	No. of dealers detected by the department	No. of dealers actually registered	Percentage of dealers actually registered
1986-87	356	46	13
1987-88	394	68	17
1988-89	412	87	21

The percentage of dealers actually registered varied from 13 to 21 per cent. Thus more than 75 per cent of the dealers liable for registration and detected by the department remained unregistered.

34.6 Non registration of dealers liable for registration with the department.

Under the Delhi Sales Tax Act, 1975, any person including a department of the Central Government or, the State Government, carrying on any trade, commerce or adventure in nature of trade, commerce or manufacture, or any transaction in connection with, or incidental or ancillary to, such trade, commerce, manufacture, adventure or concern is liable to pay tax with effect from the date immediately following the day on which his turnover calculated from the commencement of any year first exceeds the taxable quantum within such year on all sales effected by him after that day. The Act further provides that every dealer who becomes liable to pay tax shall apply for registration in the prescribed manner to the prescribed

authority, failing which the assessing authority shall proceed to assess the dealer to the best of his judgement and may also levy penalty in addition to the amount of the tax so assessed.

34.6 (i) *Non registration of suppliers of building material to a Government Corporation.*- Four dealers of Delhi who were supplying sand and stones to a construction corporation of the Central Government, were liable to get themselves registered and pay tax as their supplies to the corporation exceeded the annual taxable limit of rupees one lakh from 1984-85 to 1987-88. However, neither had these dealers paid any tax on their own nor did the department initiate any action to assess and register them under the Delhi Sales Tax Act, 1975. These dealers had supplied sand and stones valued at Rs.19.54 lakhs to four projects of the Corporation during the period 1984-85 to 1989-90 and consequently evaded tax amounting to Rs.1.37 lakhs.

34.6 (ii) *Non registration of kabaris.* - (a) In Delhi two kabaris

purchased the salvage/kabari material valued at Rs.6.07 lakhs during the year 1988-89 and 1989-90 from a Government Undertaking which controls the Government hotels located in Delhi. Both the dealers were liable to pay tax and get themselves registered with the department since their annual turnover exceeded the taxable turnover of rupees one lakh. The department also failed to take action to register them and recover the sales tax. The loss of revenue on these purchases without adding the profit margin amounted to Rs.0.42 lakh.

(b) Two more kabaris from Delhi were awarded contracts in May 1988 and January 1989 by a Government Undertaking for removal of waste material like thermocol, iron strips, plastic sheets, broken wood, etc. from the International Cargo Complex of an International airport at the rate of Rs.15,000 and Rs.26,000 p.m respectively. It was noticed in Audit that none of the dealers was registered with the department though the annual gross turnover of these kabaris, based on the monthly rate of the contract awarded, exceeded the taxable limit of rupees one lakh thereby rendering them liable to pay tax and get themselves registered with the department.

34.6 (iii) *Non registration of road side vendor resulting in loss of revenue.*- On the basis of information collected by Audit from the Income Tax Department, it was observed that a dealer in Delhi engaged in the sale of chat, etc., was assessed in January 1982 as an unregistered dealer for the year 1975-76 and his gross turnover was determined at Rs.1.50 lakhs. The Income Tax authorities while completing the assessment of the dealer for 1978-79, 1980-81 and 1981-82 determined his turnover at

Rs.2.40 lakhs, Rs.2.55 lakhs and Rs.2.70 lakhs respectively.

A scrutiny of the balance sheets of the dealer for the years 1980-81 to 1982-83 revealed that the dealer was not paying sales tax. The dealer was, however, taking exemption on account of sales tax payable from the Income Tax authorities. The dealer was showing liability on account of sales tax payable since 1980-81 when an amount of Rs.3,437.50 was shown as liabilities in the balance sheet as on 31 March 1983.

The sales tax liabilities of Rs.9,375, Rs.10,500 and Rs.11,248 were provided for in the balance sheets as on 31 March 1981, 31 March 1982 and 31 March 1983 respectively. There was a cumulative provision for sales tax amounting to Rs.34,560 in the balance sheet as on 31 March 1983.

Since the dealer did not pay any sales tax during the years 1979-80 to 1982-83 and continued to show the liability of sales tax in his yearly balance sheets, it was apparent that the department failed to register the dealer under the Delhi Sales Tax Act, 1975 even though his annual turnover exceeded the prescribed limit of Rs.75,000 as assessed by the assessing authority on 23 January 1982 from the year 1975-76 as unregistered dealer. As per the information furnished by the department (July 1990) the dealer continues to be unregistered and had not been assessed to tax even as unregistered dealer.

34.6(iv) *Non registration of an Examination Board.*- A scrutiny of the Receipts and Payments Account of the Board for the years 1983-84 to 1987-88 (accounting year adopted from 1 October to 30 September) revealed that the Board which conducted various examinations, sold

used answer books every year and the total sale price of the aforesaid books for the last five years ending 1987-88 worked out to Rs.12.99 lakhs. The annual turnover of the Board exceeded the taxable quantum of rupees one lakh. It was, however, noticed that inspite of the sale exceeding the taxable limit, neither had the Board applied for registration with the Sales Tax Department nor the department initiated any action to register the Board. The tax for five years ending 1987-88 amounted to Rs.0.91 lakh.

34.7 Loss of revenue due to non registration of the dealer

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 rupees one lakh in a year.

A dealer engaged in the business of cosmetics, bulbs, hosiery goods and merchandise, showed his gross profit and gross turnover as Rs.18,852 and Rs.94,244 respectively in the trading account for 1981-82. As per the profit statement dated 26 May 1984 the dealer's profit was 15 per cent, consequently the dealer's gross turnover was worked out at Rs.1.44 lakhs keeping in view his gross profit as Rs.18,852. As the gross turnover of the dealer exceeded rupees one lakh, he was required to get himself registered under the provision of the Act and pay tax amounting to Rs.10,227 for 1981-82. He was also liable to pay tax for subsequent years alongwith his returns.

On the irregularity being pointed out (September 1987) in Audit, the department reassessed the dealer for 1981-82 to 1984-85 (September 1989) and raised a demand of Rs.21,922. Further, report on

recovery has not been received (July 1990).

The case was also reported to the Ministry of Home Affairs (July 1990); their reply has not been received (December 1990).

34.8 Registration of bogus dealers

Under the Delhi Sales Tax Act, 1975, Registration Certificate is issued by the assessing authority after satisfying itself that the application for registration is in order, the dealer has furnished the proper surety, if any required, and that the applicant is a bonafide dealer.

It was, however, noticed (April to July 1990) that dealers whose bonafides proved doubtful during enquiries before registering them or soon after they were registered caused revenue loss to the department due to non payment of assessed tax. A few cases are given below :-

34.8 (i) Application of a dealer for issue of a Registration Certificate was rejected by the Ward Officer on 2 April 1985 on the ground that surety was not found satisfactory. On appeal, the case was remanded by the appellate authority. The dealer was granted the Registration Certificate on 19 July 1985 which was received by the dealer on 25 July 1985 with liability and validity with effect from 27 November 1984. The Enforcement Branch of the department directed the Ward Officer on 12 June 1987 not to issue any statutory form to the dealer and to initiate proceedings for the cancellation of the Registration Certificate immediately. It was, however, noticed in Audit that instead of acting as per the directions of the Enforcement Branch (June 1987), the Ward Officer issued (September 1987) ten ST-1

forms to the dealer which were utilised by him against total purchases of Rs.3.42 crores relating to the year 1984-85.

As per the utilisation account of seven ST-1 forms, the dealer purchased goods worth Rs.2.43 crores upto 18 February 1985, whereas he had stated on oath in his affidavit dated 18 February 1985 that he had purchased goods worth Rs.24,656 and sold goods worth Rs.11,172 only upto 18 February 1985. It was also stated in the affidavit that the dealer had started his business with an initial capital of Rs.20,000 only. Apparently a dealer who started his business with an initial investment of Rs.20,000 only a few months ago cannot purchase goods worth Rs.2.43 crores, after taking into account his purchases, sales and closing stock. Thus the transactions covered by ten ST-1 forms for Rs.3.42 crores were simply between ingenuine selling and purchasing dealers.

34.8 (ii) Under the provisions contained in the Delhi Sales Tax Act, 1975 and Central Sales Tax Act, 1956 and rules framed thereunder, statutory forms are issued to the registered dealers for the purchase of goods without payment of tax from another registered dealer. On subsequent occasions these statutory forms could be issued to the registered dealers after he had rendered the utilisation account of the forms already issued to him. While the ST-1 forms are used by a registered dealer for making purchases without payment of tax from another registered dealer under the local Act, 'F' forms can be used for getting the goods on transfer from one branch to another or for sale on consignment basis during the course of inter-state sale/purchase under the rules framed under Central Act. Under these rules one 'F' form can be used during one calendar month for goods received on transfer

basis during the course of inter-state sale/purchase from one branch.

A dealer in Delhi was granted registration certificate under Delhi Sales Tax Act, 1975, with liability and validity with effect from 1 September 1983. The dealer was issued 15 statutory forms (ST-1) immediately after his registration to enable him to make purchases without payment of tax either for resale or for manufacture of goods for sale. Test check of the records (April to July 1990) revealed in Audit that the Ward Officer had kept on record (May 1984) "Before further issue of forms utilisation accounts of 15 forms and list of R.D. sale may be got verified as it was gathered informally that his activities were not straight forward". Again in June 1987 the Enforcement Branch directed the Ward Officer to stop issue of statutory forms to the dealer and to initiate proceedings for the cancellation of his Registration Certificate as he was not found to be functioning (May 1987). But inspite of the aforesaid instructions of the Enforcement Branch, statutory forms numbering 3,132 including 365 'F' forms (meant for use for branch transfer by a dealer) were issued during March to June 1988 eventhough no mention of his having any branch was made in his Registration Certificate. The Registration Certificate of the dealer was cancelled only with effect from 8 March 1990.

The dealer made purchases of goods, on the strength of his Registration Certificate, from another registered dealer valued at Rs.2.10 crores in 1984-85 by utilising 247 statutory forms without payment of tax. Further, the dealer had shown in his return for the year 1984-85 sales valued at Rs.3.42 crores made to a registered dealer. In fact these sales were made to an ingenuine dealer.

Failure of the department to stop issue of statutory forms to the dealer, inspite of the instructions of the Enforcement Branch in June 1987 and to initiate proceedings for the cancellation of his Registration Certificate, resulted in suppression of sales valued at Rs.2.10 crores leading to evasion of tax amounting to Rs.14.73 lakhs. Further, the dealer was able to manipulate his sales valued at Rs.3.42 crores to a registered dealer who was actually an ingenuine dealer.

34.8 (iii) A dealer of Delhi dealing in chemical and petroleum products was issued the Registration Certificate with liability and validity from 26 December 1983. The Registration Certificate of the dealer was cancelled on 10 November 1984.

The Inspector of the concerned ward where the dealer was registered conducted a survey of the premises of the dealer on 28 February 1984 and 6 March 1984 and reported that no such dealer was functioning at the premises and as such no statutory forms were to be issued to the dealer without verification of his sales and purchases. Another survey was conducted on 9 April 1984 and the Inspector was informed that since the books of accounts for 1983-84 of the dealer were lying with the accountant, the same would be produced to the assessing authority at the time of assessment. The sales and purchases for the year 1984-85 were checked by the Inspector on 9 April 1984 and it was reported that the purchases were tax paid.

The dealer was issued fifteen ST-1 forms on 9 April 1984 and thereafter he was issued 125 'ST-1' and 12 'C' forms on eight different occasions upto the date of cancellation of his Registration Certificate (October 1984). These

forms were issued despite the survey report dated 9 April 1984 that all sales and purchases were tax paid which did not warrant the issue of any statutory form to the dealer. Even after the cancellation of the Registration Certificate of the dealer, 57 more ST-1 forms were issued on 13 November 1984 and 14 November 1984 without even calling for the return for the second quarter of the year 1984-85. The dealer was in addition issued 18 'F' forms which were used for transferring the goods from branches/headquarters etc. even though as per the Registration Certificate, the dealer was neither having any branch outside the state nor was any agreement in support of the stock transfer placed on record.

The dealer was assessed ex parte for the years 1983-84 and 1984-85 in March 1988 and March 1989 respectively and demands of Rs.25,000 and Rs.25,000 for 1983-84 and Rs.44,67,189 and Rs.3,195 for 1984-85 under the Local and Central Acts respectively were created. The demands had not been recovered (July 1990). The department did not initiate any action to recover the demand from the surety dealer whose Registration Certificate had been cancelled in March 1985.

34.9 Non levy of tax on irregular purchases of taxable goods

A dealer engaged in the business of electrical and electronic goods was issued the Registration Certificate with liability and validity with effect from 7 July 1984. It was, however, noticed that the dealer made purchases of television sets amounting to Rs.2.80 lakhs from another dealer of a different ward and issued the statutory forms ST-1 against the aforesaid purchases made on 25 June 1983. At the time of the

verification of the aforesaid sale of the selling dealer, the assessing authority of the purchasing dealer had shown the issue of forms as last issue on 13 June 1986. The assessing authority, however, failed to take note of the fact that purchases related to the period prior to 7 July 1984, the date from which the Registration Certificate was valid and did not inform the fact to assessing authority of the selling dealer. The selling dealer was allowed deduction of Rs.2.80 lakhs from his gross turnover on account of aforesaid sales which resulted in non levy of tax of Rs.27,970.

34.10 Cancellation of Registration Certificate-delays in cancellation and their notification

The Registration Certificate of a dealer can be cancelled by the assessing authority, *inter alia*, on account of violation of any provisions of the Act or the rules framed thereunder, misuse of the statutory forms, cessation of liability to pay tax. The particulars of all cancelled Registration Certificates are required to be notified in the official gazette as soon as possible.

Delay in cancellation of certificates where due for cancellation and delay in the notification in the official gazette as laid down in Section 65 of the Delhi Sales Tax Act, 1975, could result in evasion of tax on account of misuse of the Registration Certificate by the dealer himself or by other dealers. A few cases of delay in cancellation of the Registration Certificates, noticed by Audit were as under :-

(i) The Enforcement Branch of the department directed (June 1987) the Ward Officer of a dealer registered with the ward with liability and

validity with effect from 12 August 1985 to initiate proceeding for the cancellation of the Registration Certificate of the dealer. The Ward Officer was again directed on 1 July 1987 to complete the upto date assessment of the dealer and also to initiate action for cancellation of the Registration Certificate which was done from 25 January 1990.

The assessing authority failed to complete the upto date assessment and instead completed the assessment only upto 1985-86 till June 1990 and created a demand of Rs.5.95 lakhs under the Local Act and of Rs.10,000 under the Central Act; the recovery of which has not been intimated (July 1990).

At the time of registration of dealer the assessing authority prescribed two sureties of Rs.20,000 each under the Local and Central Acts. Sureties were given by the dealer of a different ward. The registration of the surety dealer was also cancelled with effect from 31 July 1987.

(ii) The Enforcement Branch of the department directed (June 1987) the ward officer of a dealer registered with the ward with liability and validity from 27 November 1984 to initiate proceedings for the cancellation of Registration Certificate of the dealer. The ward officer was again directed on 6 January 1989 and 2 June 1989 to complete the upto date assessment of the dealer.

The assessing authority failed to act on the direction of the Enforcement Branch and completed the assessments only for the year 1984-85 and 1985-86 till June 1990. The assessing authority also failed to initiate proceedings for the cancellation of the Registration Certificate till June 1990 despite

the directions of the Enforcement Branch issued on 12 June 1987.

34.11 Non levy of tax at the time of assessment of a dealer whose Registration Certificate was cancelled prior to the date of assessment

A dealer whose Registration Certificate was cancelled from 24 April 1986 filed an affidavit on 10 August 1987 at the time of the assessment of his cases for 1983-84 deposing that he made only one sale of Rs.20,000 in the fourth quarter and had made no other sales or purchases during the remaining quarters of the year.

The assessment order dated 11 July 1988 relating to the assessment year 1986-87 (upto 24 April 1988) also stated that all the stocks were cleared by the dealer during 1983-84 and he had no further stocks with him. The dealer also filed an affidavit to this effect. The assessing authority further stated that all the unused ST-1 and 'C' forms were surrendered by the dealer.

It was, however, observed in Audit that the dealer had in fact made purchases against two bills of Rs.1,07,540 and Rs.1,99,416 on 31 October 1983 and 17 January 1984 respectively and issued two ST-1 forms in support of these purchases. The selling dealer was allowed deduction aggregating to Rs.3,06,956 from his gross turnover on account of aforesaid sales which resulted in non levy of tax of Rs.30,696.

It was further observed that the dealer had made purchases of electronic goods against these bills whereas as per the Registration Certificate the dealer was allowed to purchase for resale only sports goods, handicrafts, leather, canvas bags. At the time of the

verification of the above referred sales of the selling dealers the ward officer of the purchasing dealer showed the issue of forms as last issue on 25 February 1984. It was further seen that the forms were issued by the dealer to the selling dealer on 28 June 1984 and the fact of the purchases having been made were known to the assessing authority who failed to compute the total purchases concealed and the consequential sales suppressed. This resulted in non levy of penalty for unauthorised purchases and misrepresentation of facts.

34.12 Non recovery of outstanding amounts from the surety dealers

Section 17 of the Delhi Sales Tax Act, 1975, provides that the sureties should be obtained either from the registered dealer or from the bank or in cash before the Registration Certificate is granted to a new dealer. Whereas the surety furnished by a dealer is of a permanent nature, the bank guarantee is for a specific period only and at the expiry of that period either a fresh bank guarantee is required to be furnished or surety from another registered dealer should be obtained.

(i) It was, however, noticed (April to July 1990) in Audit that in four cases, the Registration Certificates of the surety dealers were cancelled, but the dealer for whom they stood surety were not asked to furnish fresh sureties. The Registration Certificates of these dealers were also subsequently cancelled. Demands amounting to Rs.85.84 lakhs were created against these dealers and recovery was pending at the time of cancellation of the registration. Failure of the department to insist for fresh sureties at the time of the cancellation of the Registration

Certificate of the surety dealers resulted in non-recovery of the aggregated demands amounting to Rs.85.84 lakhs.

(ii) In three cases, the Registration Certificates of the dealers were cancelled by the department. Demands amounting to Rs.38.56 lakhs were outstanding against these dealers at the time of cancellation. The assessing authority did not take any action to recover the outstanding amounts from the surety dealers. The Registration Certificates of the surety dealers were also cancelled from the subsequent dates. Failure of the department to take timely action for the recovery of the outstanding demands from the surety dealers resulted in demands amounting to Rs.38.56 lakhs remaining unrecovered (July 1990).

34.13 Delayed notification of cancellation of Registration Certificate

Under Section 65 of the Delhi Sales Tax Act, 1975, the department is required to notify at intervals not exceeding three months the particulars of the dealers whose Registration Certificates had been cancelled. A perusal of the notifications issued during 1988-89 and 1989-90 revealed that though these were issued during these two years but the Registration Certificates of the dealers were cancelled by the department with effect from the dates as back as April 1978 and January 1989 i.e. one to ten years. Even in cases where cancellation had been notified, the notifications were not circulated to all the Sales Tax officers for necessary action.

These observations were brought to the notice of the department and Ministry of Home Affairs in September 1990; their

reply has not been received (December 1990).

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

Under section 4(2)(a) of 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 alongwith his returns a complete list of such sales, duly supported by prescribed declarations in Form ST-1 obtained from the purchasing dealer. In case a dealer conceals the particulars of his sales, penalty not exceeding two and half times of the amount of tax thereby evaded, is leviable, in addition to the tax payable on the sales.

35.1 In the assessment year 1982-83, a registered dealer in Delhi engaged in the business of plywood etc. had claimed and was allowed deduction of Rs.2.92 lakhs from his gross turnover on account of sale made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification of assessment records by Audit (August 1987), it was noticed that the deduction allowed was irregular as these Forms were not issued to the purchasing dealer by the department. The irregular grant of deduction had resulted in short levy of tax amounting to Rs.20,410. Besides, penalty not exceeding Rs.51,026 was also leviable on the dealer for misrepresentation of facts.

The irregularity was pointed out to the Department (March 1988); their reply has not been received (December 1990).

35.2 In the assessment year 1981-82, a registered dealer in Delhi engaged in the business of chemicals had claimed and was allowed deduction of Rs.10.77 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification of assessment records in Audit (June 1986), it was noticed that the deduction allowed was irregular as the purchasing dealers had issued these declarations in favour of other dealers and not to the assessee dealer and for different amount. The omission was not detected by the assessing authority while finalising assessment in March 1986. The non-detection of irregularity has resulted in short levy of tax amounting to Rs.75,425 and a penalty not exceeding Rs.1.89 lakhs was also leviable.

On the omission being pointed out in Audit (January 1987), the department reassessed the dealer (January 1990) and raised additional demand of Rs.2.64 lakhs including penalty of Rs.1.89 lakhs. Report on recovery has not been received. (December 1990).

35.3 In the assessment year 1981-82, a dealer in Delhi engaged in the business of auto parts had claimed and was allowed deduction of Rs.30.95 lakhs from his gross turnover for the year 1981-82 on the ground that sales made to other registered dealers duly supported by 20 declarations in Form ST-1. However, on cross verification of assessment records of purchasing dealers by Audit (June 1987), it was noticed that the deduction allowed was irregular as the purchasing dealers had issued these declarations in favour of some other dealers and not to the assessee dealer. The irregular deduction has resulted in short levy of tax

amounting to Rs.3.09 lakhs. Besides, penalty not exceeding Rs.7.74 lakhs was also leviable on the dealer for misrepresentation of facts.

Further, the dealer had claimed and was allowed deduction on account of sale made to other registered dealer amounting to Rs. 6.43 lakhs on the basis of four declarations in Form ST-1. The deduction was irregular as the declarations were either invalid or were in excess of the monetary limit prescribed for more than one transaction. This irregular grant of deduction resulted in short levy of tax of Rs. 64,388.

On the omission being pointed out (June 1987) in Audit and followed by reminder in July 1989, the department stated (October 1989) that the sales to the tune of Rs.17.04 lakhs had already been taxed, sales amounting to Rs.1.35 lakhs covered by two declaration Forms were valid and the dealer has been reassessed for Rs.19 lakhs and raised additional demand of Rs.1.90 lakhs. The report on the levy of penalty and recovery position thereof has not been received (December 1990).

35.4 During the year 1982-83, a registered dealer in Delhi engaged in the business of plastic goods and chemicals had claimed deduction of Rs.45.94 lakhs from his gross turnover on sale of goods made to other registered dealers by furnishing declaration in Form ST-1 in support of his claim. On cross verification by the department of these forms with accounts records of the issuing dealer revealed that either these forms were not issued to the assessee dealer or issued for different amount. The assessing authority while framing assessment levied tax amounting to Rs.3.22 lakhs but failed to levy penalty not

exceeding Rs.8.04 lakhs and interest amounting to Rs.2.35 lakhs.

Further, the dealer had failed to submit declaration in Form ST-1 in support of his claim of sale amounting to Rs.3.23 lakhs made to other registered dealer. The assessing authority while framing assessment (March 1987) levied tax amounting to Rs.22,575 but did not levy interest amounting to Rs.16,480.

The omission was pointed out in Audit to the department (July 1987); their reply has not been received (December 1990).

35.5 In the assessment year 1982-83, a registered dealer in Delhi engaged in the business of chemicals had claimed and was allowed deduction of Rs.4.99 lakhs from his gross turnover on account of sale made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification of assessment records by Audit (December 1982), it was noticed that the deduction allowed was irregular as the purchasing dealers had issued these declarations in favour of some other dealers and not to the assessee dealer and for different amount. This resulted in short levy of tax amounting to Rs.49,858.

Further, the dealer had made purchases without payment of tax by issuing declarations in Form ST-1 to the tune of Rs.12.50 lakhs but had accounted for purchases to the tune of Rs.11.90 lakhs. Thus the dealer had concealed purchases to the tune of Rs.60,431 and thereby concealed sales to the tune of Rs.64,359 after adding pro rata margin of profit at the rate of 6.5 per cent. The omission resulted in short levy of tax amounting to Rs.6,436 and penalty not exceeding Rs.16,090 was also leviable.

The omission was pointed out to the department (December 1987); their reply has not been received (December 1990).

35.6 A registered dealer, in Delhi, engaged in the business of resale of petroleum products had claimed and was allowed deduction of Rs.23.39 lakhs from his gross turnover for the year 1981-82 on the basis of declarations in Form ST-1. It was, however, noticed in Audit (March 1987) on cross verification with the records of the purchasing dealers that those ST-1 forms were issued by the purchasing dealers either to some other dealers or to the assessee dealer for lesser amounts. Thus, the deduction of Rs.23.39 lakhs allowed to the assessee on the basis of those declaration forms was not admissible. This resulted in short levy of tax amounting to Rs.1.64 lakhs. Besides, penalty not exceeding Rs.4.09 lakhs was also leviable on the dealer for misrepresentation of facts.

The irregularity was pointed out in Audit (December 1987) to the department; their reply has not been received (December 1990).

35.7 A registered dealer, in Delhi, engaged in the business of resale of pesticides, malthan, sodium sulphide etc. was allowed deduction of Rs.91,537 from his gross turnover for the year 1982-83 on account of sale made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification by Audit (January 1988), it was noticed that the deduction allowed was irregular as address of the purchasing dealer was not mentioned in the forms. The irregular deduction has resulted in short levy of tax amounting to Rs.6,407. Besides, penalty not exceeding Rs.16,020 was leviable on the dealer.

On the irregularity being pointed out in Audit (January 1988), the department reassessed (February 1990) the dealer and raised additional demand of Rs.22,427 (including penalty of Rs.16,020). The report on recovery has not been received (December 1990).

35.8 A registered dealer, in Delhi, engaged in the business of photo goods was allowed deduction of Rs.3.51 lakhs from his gross turnover during the year 1982-83 on account of sale made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification of assessment record in Audit (January 1988), it was noticed that the deduction allowed was irregular as the purchasing dealers had issued these declarations amounting to Rs.2.02 lakhs in favour of some other dealers and not to the assessee dealer and declarations amounting to Rs.1.49 lakhs were not issued to the purchasing dealer by the department. This irregular deduction allowed to the assessee resulted in short levy of tax amounting to Rs.35,107. Besides, penalty not exceeding Rs.87,767 for misrepresentation of facts was also leviable on the dealer.

The irregularity was pointed out in Audit (January 1988) to the department; their reply has not been received (December 1990).

35.9 In the assessment year 1982-83, a registered dealer in Delhi claimed and was allowed deduction of Rs.5.34 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification of assessment records of purchasing dealers by Audit (November 1987), it was noticed that the deduction allowed was irregular

as the purchasing dealers had issued these declarations either to certain other dealers or for different amounts but not to the assessee dealer. The irregular deduction allowed resulted in short levy of tax amounting to Rs.53,392. Besides, penalty not exceeding Rs.1.33 lakhs was also leviable.

Further, the dealer had purchased goods valued at Rs.10.20 lakhs without payment of tax from other registered dealers by furnishing declarations in Form ST-1 as seen in Audit from the utilisation account submitted by the dealers in Form ST-2 but had accounted for purchases worth Rs.9.07 lakhs in his accounts record. The short accountal of purchases amounting to Rs.1.13 lakhs resulted in suppression of sale valued at Rs.1.21 lakhs (including seven per cent profit margin). The assessing authority failed to detect the suppression of sale and the omission resulted in short levy of tax amounting to Rs.12,137. Besides, penalty not exceeding Rs.30,342 for furnishing of inaccurate particulars and interest amounting to Rs.8,361 for non payment of tax was also leviable on the dealer.

The omission was pointed out in Audit (November 1987) to the department; their reply has not been received (December 1990).

35.10 A registered dealer, in Delhi, engaged in the business of manufacturing of Tingles was allowed deduction of Rs.1.35 lakhs from his gross turnover during the year 1983-84 on account of sale made to other registered dealer on the basis of declaration in Form ST-1. However, on cross verification with reference to the records of the purchasing dealer, it was noticed (June 1989) in Audit that the deduction allowed was irregular as the purchasing dealers had issued these

declarations either for lesser amount or to certain other dealer but not in favour of assessee dealer. The irregular deduction resulted in short levy of tax amounting to Rs.5,317 and interest for non payment of tax amounting to Rs.3,358. Besides, penalty not exceeding Rs.13,292 was also leviable on the dealer for furnishing inaccurate particulars.

On the omission being pointed out in Audit (June 1989), the department reassessed the dealer (May 1990) and raised additional demand of tax of Rs.9,412, penalty Rs.9,500 and interest amounting to Rs.3,811. The report on recovery of additional demand of Rs.22,723 has not been received (December 1990).

35.11 In the assessment year 1983-84, a registered dealer in Delhi engaged in the business of electrical goods claimed and was allowed deduction of Rs.1.79 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by declaration in Form ST-1. However, on cross verification of records by Audit (October 1988), it was noticed that the deduction allowed was irregular as the declaration forms were not issued to the purchasing dealer by the department. The irregular deduction had resulted in short levy of tax amounting to Rs.17,903 and interest amounting to Rs.14,679. Besides, penalty not exceeding Rs.44,757 was also leviable on the dealer.

Further, the dealer had purchased goods worth Rs.30.65 lakhs without payment of tax by furnishing the declarations in Form ST-1 to the selling dealers whereas he has accounted for purchases to the tune of Rs.29.95 lakhs in his accounts records. Thus, the dealer had suppressed purchases amounting to Rs.70,083 and corresponding sales

amounting to Rs.74,288 (including gross profit of six per cent). The suppression of sales resulted in short levy of tax amounting to Rs.7,429. Besides, penalty not exceeding Rs.18,572 was also leviable.

On the omission being pointed out in Audit (October 1988), the department reassessed (December 1988) the dealer and raised an additional demand of Rs.1.03 lakhs (including interest amounting to Rs.14,679 and penalty Rs.63,328). The report on recovery has not been received (December 1990).

35.12 A registered dealer, in Delhi, engaged in the business of kiriyana goods and dry fruits had claimed and was allowed deduction of Rs.9.65 lakhs during the year 1983-84 from his gross turnover on account of sales made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification of assessment records by Audit (August 1988), it was noticed that the deductions allowed were irregular as the declaration forms were not issued by the department to the purchasing dealers. The above irregularity had resulted in short levy of tax amounting to Rs.67,577 and interest amounting to Rs.39,784. Besides, penalty not exceeding Rs.1.67 lakhs was also leviable on the dealer.

The omission was pointed out in Audit (August 1988) to the department followed by reminders issued in April 1989 and March 1990; their reply has not been received (December 1990).

35.13 A registered dealer, in Delhi, engaged in the business of resale of kiriyana goods and dry fruits had claimed and was allowed deduction amounting to Rs.4.02 lakhs from his gross turnover on account of sales made to registered dealers on the

basis of declarations in Form ST-1 during 1983-84. On cross verification of records it was seen in Audit (June 1988) that the deductions allowed were irregular as the forms were not issued by the department to the purchasing dealer. The irregular deductions resulted in short levy of tax amounting to Rs.28,139. Besides, penalty not exceeding Rs.70,347 was also leviable on the dealer.

The omission was pointed out in Audit (June 1988) to the department followed by reminder issued in March 1990; their reply has not been received (December 1990).

35.14 In the assessment year 1982-83, a registered dealer in Delhi engaged in the business of electrical goods claimed and was allowed deduction of Rs.1.60 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by declarations in Form ST-1. However, on cross verification of assessment records of the purchasing dealers by Audit (May 1988), it was noticed that the deductions allowed were irregular as the purchasing dealers had either issued these declarations to certain other dealers and not to the assessee dealer or for different amounts. Thus, the deduction allowed by the assessing authority on the basis of said declarations to the assessee was irregular which resulted in short levy of tax amounting to Rs.16,017 and interest amounting to Rs.15,917. Besides, penalty not exceeding Rs.40,042 was also leviable on the dealer.

The omission was pointed out in Audit in May 1988 followed by reminder issued in March 1990 to the department; their reply has not been received (December 1990).

35.15 A registered dealer in Delhi engaged in the business of paints, varnish, etc. had claimed that his business premises was looted and destroyed by fire during riots and his books of accounts, ST-1 forms and other relevant documents had been lost. He claimed that he may be granted deduction on account of sale to registered dealers on the return version without production of declarations in Form ST-1 for the assessment years 1980-81 to 1984-85. The Commissioner of Sales Tax after enquiring granted exemption to the dealer from furnishing declarations in Form ST-1 for the assessment years 1980-81 to 1984-85 subject to the condition that he should not receive ST-1 form from other dealers and should submit for cancellation to concerned assessing authority if he had received any form. The exemption granted should be inoperative if that condition was violated.

A scrutiny of forms (August 1987), however, revealed that the dealer had received 56 ST-1 forms from other dealers for sale amounting to Rs.6.93 lakhs for the assessment year 1981-82 but did not submit the same to the concerned assessing authority for cancellation. Hence, the exemption granted had become inoperative and deductions amounting to Rs.22.22 lakhs for assessment years 1980-81 to 1982-83 allowed was irregular. The irregular grant of deduction has resulted in short levy of tax amounting to Rs.1.56 lakhs.

The omission was pointed out in Audit (August 1987) to the Department; their reply has not been received (December 1990).

The above cases were reported to the Ministry of Home Affairs between April 1990 and September 1990; their reply has not been received (December 1990).

36. 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 resale 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. 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, will be leviable in addition to the tax payable on the sales. Interest under section 27 of Delhi Sales Tax Act, 1975, for non payment of tax with returns will also be leviable.

36.1 During the year 1982-83, a registered dealer in Delhi engaged in the business of manufacture and resale of auto parts had purchased goods worth Rs.5.52 lakhs without payment of tax by furnishing declaration in Form ST-1. It was, however, seen in Audit (June 1987) from the utilisation account of statutory forms available in the assessment record, that the dealer had shown purchases valued at Rs.93,949 in his accounts. Thus, the dealer had concealed purchases to the tune of Rs.4.59 lakhs and thereby concealed sale to the tune of Rs.5.76 lakhs after adding *pro rata* margin of profit at the rate of 25.6 per cent. The suppression of sales had resulted in short levy of

tax amounting to Rs.57,593, interest amounting to Rs.33,408 and penalty not exceeding Rs.1.54 lakhs was also leviable on the dealer.

The omission was pointed out in Audit (March 1988) to the department; their reply has not been received (December 1990).

36.2 During the year 1981-82, a registered dealer in Delhi engaged in the business of auto parts had purchased without payment of tax, goods valued at Rs.15.58 lakhs from other registered dealers by furnishing declaration in ST-1 forms but accounted for purchases amounting to Rs.12.84 lakhs only in his accounts records. The short account of purchases amounting to Rs.2.74 lakhs resulted in suppression of corresponding sale amounting to Rs.2.74 lakhs without adding profit margin. The suppression of sales was not detected by the assessing authority while finalising assessment for the year. The non-detection of suppression of sales had resulted in short levy of tax amounting to Rs.27,363 and penalty not exceeding Rs.68,407 was also leviable.

On the omission being pointed out in Audit (September 1987), the Department reassessed the dealer (August 1989) and raised additional demand of Rs.95,171 including penalty of Rs.67,808. Report on recovery has not been received (December 1990).

36.3 A registered dealer, in Delhi, engaged in the business of iron and steel had purchased goods valued at Rs.18.58 lakhs in March 1984 by furnishing declaration in Form ST-1 but had accounted for goods valued at Rs.13.84 lakhs in his accounts resulting in short account of purchases and suppression of sales of Rs.4.87 lakhs (including profit margin of Rs.14,119) in the

assessment year 1983-84. The short accountal of purchases and suppression of sales has resulted in short levy of tax of Rs.19,498. Besides, the dealer was also liable to pay penalty not exceeding Rs.48,745 and interest amounting to Rs.13,454. Further, the dealer had claimed and was allowed deduction on account of sale made to other registered dealer on the basis of 231 declarations in Form ST-1 amounting to Rs.127.80 lakhs during the year 1983-84 whereas the total of these forms works out to Rs.126.98 lakhs as seen in Audit. Thus the dealer had been allowed excess deduction to the tune of Rs.82,824 resulting in short levy of tax amounting to Rs.3,313.

The omission was pointed out (November 1988) to the Department; their reply has not been received (December 1990).

36.4 A registered dealer, in Delhi, engaged in the business of paper purchased goods during 1982-83 valued at Rs.66.59 lakhs without payment of tax by furnishing declaration in Form ST-1 from other registered dealers. He, however, accounted for purchases amounting to Rs.21.56 lakhs in his accounts records. Thus the dealer had concealed purchases amounting to Rs.45.03 lakhs and suppressed corresponding sale amounting to Rs.45.03 lakhs (without adding profit margin). The non detection of suppression had resulted in short levy of tax amounting to Rs.2.25 lakhs, non levy of interest amounting to Rs.1.42 lakhs and penalty not exceeding Rs.5.63 lakhs was also leviable on the dealer.

The omission was pointed out (November 1987) to the department. The department has raised additional demand of Rs.5.22 lakhs (June 1990). The recovery position has not been intimated (December 1990).

36.5 A registered dealer, in Delhi, engaged in the business of paper and board, purchased goods valued at Rs.41.58 lakhs without payment of tax from other registered dealers during the year 1982-83 by furnishing prescribed declaration in Form ST-1. However, it was seen in Audit (November 1987) from the utilisation account in Form ST-2 submitted by him that he has accounted for purchases to the tune of Rs.37.48 lakhs only in his account records. The short accountal of purchases of Rs.4.10 lakhs resulted in suppression of corresponding sale of Rs.4.24 lakhs (including three and half per cent margin of profit). The suppression of sale was not detected by the assessing authority while framing assessment (March 1987). The failure had resulted in tax being levied short by Rs.29,664. Besides, penalty not exceeding Rs.74,160 was also leviable on the dealer.

On the omission being pointed out in Audit (November 1987), the department reassessed the dealer (December 1989) and raised additional demand of Rs.1.13 lakhs including penalty of Rs.40,000. The further report on recovery has not been received (December 1990).

36.6 A registered dealer, in Delhi, engaged in the business of resale of Rook-Af-Zah purchased goods valued at Rs.31.08 lakhs during 1983-84, without payment of tax on the basis of declarations in Form ST-1, from other registered dealers. It was, however, noticed in Audit that he has accounted for purchases to the tune of Rs.22.84 lakhs only in his accounts. The short accountal of purchases to the tune of Rs.8.24 lakhs resulted in suppression of sales amounting to Rs.8.50 lakhs (after adding profit margin of Rs.25,491). The non-detection of suppression of sales had resulted in short levy of tax amounting to

Rs.59,480. Besides, penalty not exceeding Rs.1.49 lakhs was also leviable on the dealer.

On the omission being pointed out in Audit (December 1988), the department reassessed the dealer (February 1990) and raised additional demand of Rs.2.14 lakhs. Report on recovery has not been received (December 1990).

36.7 In Delhi, a registered dealer engaged in the business of plastic goods, purchased goods valued at Rs.42.60 lakhs during 1981-82 from other registered dealers by furnishing prescribed declarations in Form ST-1 but accounted for purchases to the tune of Rs.38.67 lakhs only in his accounts. The short accountal of purchases amounting to Rs.3.93 lakhs resulted in suppression of corresponding sales amounting to Rs.4.05 lakhs (after adding profit margin at three per cent). The suppression of sale which was not detected by assessing authority while finalising assessment (December 1985) resulted in short levy of tax amounting to Rs.40,508. Further, penalty not exceeding Rs.1.01 lakhs was also leviable on the dealer for furnishing inaccurate particulars of his sales.

On the omission being pointed out in Audit (September 1986), the department in their reply (December 1989) stated that on verification of books of accounts of the dealer it was seen that the actual suppression was to the tune of Rs.2.27 lakhs after deduction from the purchases the value of credit notes on account of return of goods, rate difference and special discount and raised additional demand of Rs.18,866 including penalty of Rs.3,000. The department has been asked by Audit (February 1990) to reconsider the question of credit notes on account of special discount as the deduction

on this account is not permissible. The further report on recovery and the reply of the department has not been received (December 1990).

36.8 During the year 1982-83, a registered dealer in Delhi engaged in the business of resale of motor parts, purchased without payment of tax, on the basis of declaration in Form ST-1, goods valued at Rs.18.33 lakhs from other registered dealers. It was, however, noticed (July 1987) in Audit that the dealer had accounted for purchases worth Rs.16.49 lakhs only in his account books. Thus, the dealer had concealed purchases to the tune of Rs.1.84 lakhs and consequential sale to the tune of Rs.1.99 lakhs after adding *pro rata* margin of profit at the rate of eight per cent. While assessing the dealer (March 1987) suppression of sale was, however, not detected by the assessing authority. The short accountal of sales resulted in short levy of tax amounting to Rs.19,885. Further, penalty not exceeding Rs.49,712 was also leviable.

The dealer had further claimed deduction on account of sales made to other registered dealer to the tune of Rs.45,662 but failed to produce declaration in Form ST-1. The assessing authority while framing assessment (March 1987) levied tax to the tune of Rs.4,566 but failed to levy interest on non payment of tax with return. The omission has resulted in non levy of interest amounting to Rs.3,333.

The omission was pointed out in Audit (July 1987) to the department; their reply has not been received (December 1990).

36.9 A registered dealer, in Delhi, engaged in the business of dry fruits purchased, without payment of tax, goods valued at Rs.1.46 lakhs by furnishing declarations in Form

ST-1 from other registered dealers during 1981-82 as seen in Audit in July 1986 from the assessment record of the selling dealer. He had, however, accounted for purchases amounting to Rs.607 only in his accounts records against these two declarations. Thus, the purchases to the tune of Rs.1.46 lakhs were not accounted for by him which resulted in suppression of sale and consequent short levy of tax amounting to Rs.14,561. The suppression of sale was not detected by the assessing authority while framing the assessment in March 1986.

On the omission being pointed out (June 1987) in Audit, the department revised the assessment and reassessed the dealer *ex parte* on an assessment turnover of rupees three lakhs on the basis of average purchase of rupees one lakh on each of these forms issued and revised demand of tax amounting to Rs.21,000 in January 1990. Further, report on recovery of demand and imposition of penalty has not been received (December 1990).

36.10 A registered dealer, in Delhi, engaged in the business of electronic goods, including T.V., refrigerators, purchased goods worth Rs.24.09 lakhs without payment of tax from other registered dealers during 1982-83 by furnishing prescribed declarations in Form ST-1, as seen from the utilisation account in Form ST-2 submitted by him. It was, however, seen in Audit (October 1987) that the dealer accounted for purchases amounting to Rs.21.95 lakhs only in his account record. The short accountal of purchases amounting to Rs.2.13 lakhs resulted in suppression of corresponding sales to the tune of Rs.2.23 lakhs (after including four and a half per cent of profit margin). The suppression of sales was not detected by the assessing

authority while framing the assessment (January 1987). The failure had resulted in short levy of tax amounting to Rs.22,245. Besides, penalty not exceeding Rs.55,738 and interest amounting to Rs.15,941 was also leviable on the dealer for furnishing inaccurate particulars and non payment of tax.

The dealer had further purchased cells, knitting machines, washing machines, etc. valued at Rs.3.38 lakhs without payment of tax during the year 1980-81 to 1982-83 by misrepresenting that the goods purchased were covered by his certificate of registration whereas these items were not included in his certificate of registration. The assessing authority while framing (January 1987) assessment failed to detect the misrepresentation and consequently neither initiated prosecution proceedings against the dealer nor action to impose penalty not exceeding Rs.84,423 was taken.

The omission was pointed out in Audit (August 1988) to the department; their reply has not been received (December 1990).

36.11 In Delhi, a registered dealer engaged in the business of electrical goods, purchased without payment of tax goods valued at Rs.11.91 lakhs from other registered dealers during 1982-83, by furnishing prescribed declarations, but accounted for purchases amounting to Rs.8.46 lakhs only in his account records. The short accountal of purchases amounting to Rs.3.45 lakhs resulted in suppression of corresponding sale amounting to Rs.3.93 lakhs (after adding profit margin at 14 per cent). The suppression of sale was not detected by the assessing authority, resulting thereby in the short levy of tax by Rs.39,340. Besides, penalty not exceeding Rs.98,350 and interest amounting to

Rs.28,229 were also leviable on the dealer for furnishing of inaccurate particulars of sale and non payment of assessed tax respectively.

The omission was pointed out in Audit (March 1988) to the department; their reply has not been received (December 1990).

36.12 A dealer, in Delhi, engaged in the business of timber, laminated sheets and plywood, hard board, etc. purchased goods worth Rs.201.40 lakhs during 1983-84, free of tax, on the basis of declarations in Form ST-1. The dealer, however, accounted for purchases amounting to Rs.199.41 lakhs in his trading account for that year. The dealer thus concealed purchases of Rs.1.99 lakhs which resulted in suppression of corresponding sales of Rs.2.01 lakhs after adding *pro rata* profit margin. The non detection of the suppression of sales by the assessing authority at the time of assessment (March 1988) resulted in short levy of tax amounting to Rs.14,077. Besides, penalty not exceeding Rs.35,192 was also leviable on the dealer for furnishing inaccurate particulars.

On the omission being pointed out in Audit (April 1989), the assessing authority reassessed the dealer (October 1989) and created an additional demand of Rs.49,269 including tax and penalty. Report on the recovery of the additional demand has not been received (December 1990).

36.13 In Delhi, a registered dealer engaged in the business of re-sale of paints had purchased, without payment of tax, goods valued at Rs.30.98 lakhs by furnishing declarations in Form ST-1 from other registered dealers during 1982-83. It was, however, seen in Audit (February 1988) that the dealer had accounted for purchases amounting to

Rs.23.44 lakhs only in his account records resulting in short accountal of purchases amounting to Rs.7.54 lakhs and thereby suppressed corresponding sales amounting to Rs.7.71 lakhs (after adding profit margin of 2.31 per cent). The suppression of sales which was not detected by the assessing authority while finalising assessment (March 1987) for the year 1982-83 resulted in short levy of tax to the tune of Rs.53,998. Besides, penalty not exceeding Rs.1.35 lakhs was also leviable on the dealer.

On the omission being pointed out in Audit (February 1988); the department reassessed the dealer (February 1990) and created an additional demand of Rs.1.89 lakhs including penalty of Rs.1.35 lakhs. Report on the recovery of additional demand has not been received (December 1990).

36.14 A registered dealer, in Delhi, engaged in the business of electrical goods, purchased goods valued at Rs.22.18 lakhs, without payment of tax, from other registered dealers during 1983-84 by furnishing prescribed declarations in Form ST-1 but accounted for purchases amounting to Rs.20.42 lakhs only in his account records as seen in Audit (January 1988). The short accountal of purchases amounting to Rs.1.76 lakhs resulted in suppression of corresponding sale amounting to Rs.1.88 lakhs (including 7.11 per cent profit margin). The suppression of sales which was not detected by the assessing authority while finalising assessment (July 1986) resulted in short levy of tax by Rs.18,846. Further, interest amounting to Rs.7,312 for non payment of tax and penalty not exceeding Rs.47,115 for misrepresentation of facts, were also leviable on the dealer.

The omission was pointed out in Audit (January 1988), followed by reminders issued in April and July 1990 to the department; their reply has not been received (December 1990).

36.15 In Delhi, a registered dealer engaged in the business of electronic goods had purchased goods, free of tax, worth Rs.156.71 lakhs from other registered dealers during 1984-85 by furnishing declarations in Form ST-1. It was, however, seen in Audit (April 1990) that the dealer had accounted for purchases worth Rs.118.99 lakhs only in his accounts records. Thus, purchases to the tune of Rs.37.72 lakhs were concealed which resulted in suppression of sales amounting to Rs.38.48 lakhs after adding the average profit margin of two per cent based on trading accounts for the last two years. The suppression of sales was not detected by the assessing authority while framing the assessment in October 1988 which resulted in short levy of tax to the tune of Rs.3.85 lakhs and interest amounting to Rs.3.30 lakhs upto 31 March 1990. Besides, penalty not exceeding Rs.9.62 lakhs was also leviable on the dealer for misrepresentation of facts.

Further, the dealer had claimed and was allowed exemption on service charges of Rs.7.50 lakhs stated to have been collected by him from customers whereas in his trading account for subsequent year he had shown receipts of these charges as a nominal amount of Rs.1,295 only. This resulted in short levy of tax to the tune of Rs.74,971 and interest amounting to Rs.64,287. Besides, penalty not exceeding Rs.1.87 lakhs was also leviable on the dealer. Keeping in view the huge difference in receipts of service charges in two years, the grant of exemption from tax of

service charges of Rs.7.50 lakhs was irregular.

On the omission being pointed out in Audit (April 1990), the department reassessed the dealer in July 1990 and raised an additional demand of Rs.20.03 lakhs. The report on recovery has not been received (December 1990).

The department in its reply (September 1990) stated that the dealer has gone in appeal and the demand has been stayed.

36.16 During the year 1984-85, a registered dealer dealing in electrical goods and agricultural equipments had purchased goods valued at Rs.97.26 lakhs without payment of tax by furnishing prescribed declarations in Form ST-1 as seen from the utilisation account in Form ST-2 of the statutory forms submitted by him. He, however, accounted for purchases to the tune of Rs.70.33 lakhs only in his trading account. The short account of purchases of Rs.26.92 lakhs by the dealer resulted in suppression of corresponding sales amounting to Rs.27.20 lakhs (after adding *pro rata* profit margin at 1.04 per cent). The suppression of sales which was not detected by the assessing authority while finalising assessment (March 1989) resulted in short levy of tax amounting to Rs.2.72 lakhs. Besides, penalty not exceeding Rs.6.80 lakhs and interest amounting to Rs.2.37 lakhs under section 27 of the Delhi Sales Tax Act, 1975, were also leviable on the dealer for furnishing of inaccurate particulars of his sales and non payment of tax due.

Further, while computing the taxable turnover of the dealer the assessing authority made totalling mistake of rupees two lakhs which resulted in short levy of tax by Rs.20,000.

The dealer had also claimed and was allowed deduction amounting to Rs.18.91 lakhs from gross turnover on the ground that the sale was made to other local registered dealers and was supported by prescribed declarations in Form ST-1. As a result of cross verification of relevant assessment records it was noticed in Audit (April 1990) that the forms were not issued by the purchasing dealers to the assessee dealer and hence the deduction allowed was irregular. The irregular deduction has resulted in short levy of tax to the tune of Rs.1.89 lakhs and interest amounting to Rs.1.82 lakhs. Besides, penalty not exceeding Rs.4.73 lakhs was also leviable on the dealer.

On the omission being pointed out in Audit (April 1990), the department reassessed the case and raised an additional demand of Rs.9.99 lakhs on account of tax and interest (May 1990). Report on the penalty proceedings and recovery of additional demand has not been received (December 1990).

The above cases were reported to the Ministry of Home Affairs between April 1990 and September 1990; their reply has not been received (December 1990).

37. Short levy due to irregular grant of deduction

Under the Central Sales Tax Act, 1956, sales made in the course of export out of the territory of India are exempt from levy of tax. In support of such claim, a dealer is required to furnish to the assessing authority a certificate in Form 'H' duly filled in and signed by the exporter along with evidence of export of such goods.

A registered dealer, of Delhi, claimed and was allowed deduction of rupees five lakhs from his gross

turnover (1982-83) in respect of export out of the territory of India during the year 1982-83. As seen in Audit (April 1988), the deduction allowed was incorrect because the requisite documents as envisaged in the certificate contained in Form 'H' were not produced. The irregular grant of deduction resulted in short levy of tax amounting to Rs.50,037.

The omission was pointed out in Audit (April 1988) to the department and the Ministry of Home Affairs (July 1990); their reply has not been received (December 1990).

38. Short levy due to irregular grant of rate of tax

Under the Central Sales Tax Act, 1956, the State Government may, if it is satisfied that it is not necessary to do so in the public interest, by notification in official Gazette and subject to such conditions as may be specified therein, direct that either no tax under this Act shall be payable by the dealer in respect of sale made by him in the course of inter-state trade or commerce or the tax on such sale shall be calculated at such lower rates than those specified in sub-section (1) or sub-section (2) as may be notified in the notification.

According to the notification No.4-15034/12A-75 Delhi(1) dated 21 October 1975 issued by Central Government in respect of sale made from the Union Territory of Delhi on or after 21st day of October 1975, in the course of inter-state trade or commerce by any registered dealer having his place of business in that Union Territory, of any goods to which sub-section (1) of the section 8(5) of the Central Sales Tax Act, 1956 applies, the tax payable under the said sub-section (1) shall be calculated at the rate of two per

cent of turnover of the dealer subject to the condition that the sales are made to registered dealer having his place of business outside the Union Territory of Delhi. The sale relates to goods which are proved to the satisfaction of the appropriate sale tax authority to have been received in the Union Territory of Delhi by a registered dealer, and certified by the importing dealer, to the effect that the tax on the said goods has been paid or will be paid by him or his agent or his principal as the case may be under the sales tax laws of the state from where the goods were received and which were imported by the importing dealers from the Union Territory without undergoing any processing of change in identity.

A registered dealer, in Delhi, dealing in paints, cement and tiles had claimed and was allowed reduced rate of sales tax calculated at two per cent on the export of goods in the course of inter-state trade on the sale of Rs.22.40 lakhs during the year 1982-83. However, it was seen in Audit (August 1987) that tax calculated at reduced rate of tax was irregular as the dealer had not furnished certificate to the effect that the tax at the concessional rate had been paid in the state from where the goods were imported either by him or by his agent or principal as the case may be and the goods had been exported by him from the Union Territory without undergoing any process of change in identity. The irregularity was not noticed by the assessing authority which resulted in short levy of tax amounting to Rs.52,020.

Further, the dealer was allowed concessional rate of tax on the sale of Rs.1.20 lakhs during the course of inter-state sale on the basis of obsolete 'C' forms. The non-detection of obsolete forms had

resulted in short levy of tax amounting to Rs.7,212.

The omission was pointed out in Audit (April 1988) to the department and to the Ministry of Home Affairs (June 1990); their reply has not been received (December 1990).

39. Short levy of tax due to mistake in computation

While assessing a dealer (May 1985) for the year 1981-82, the assessing authority had assessed the gross turn over of the dealer for the fourth quarter at Rs.11.01 lakhs and allowed deduction of Rs.1.77 lakhs on account of sale of first point goods and taxed goods worth Rs.23,882 only as against the taxable sale of Rs.9.24 lakhs. Thus, the sales to the tune of rupees nine lakhs have escaped taxation. This omission resulted in short levy of tax amounting to Rs.63,000.

The omission was pointed out in Audit (December 1987) to the department and to the Ministry of Home Affairs (July 1990); their reply has not been received (December 1990).

40. Non levy of interest

Under the Delhi Sales Tax Act, 1975 and rules made thereunder, 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 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 payments or till the date of completion of assessment whichever is earlier.

40.1 During the year 1981-82, a registered dealer engaged in the business of manufacturing of collars claimed the concessional rate of tax in respect of inter-state sale amounting to Rs.1.21 lakhs but the assessing authority rejected the claim and levied tax amounting to Rs.1.21 lakhs while framing assessment (March 1986). The assessing authority did not levy interest for non payment of tax alongwith returns.

On the omission being pointed out in Audit (February 1987), the department reassessed (May 1988) the case and raised additional demand of interest of Rs.88,695 under Delhi Sales Tax Act, 1975, and Rs.49,167 under Central Sales Tax Act, 1956. Report on recovery has not been received (December 1990).

40.2 In the case of a registered dealer engaged in the business of advertising novelty goods, the assessing authority assessed (March 1988) gross turnover for the year 1983-84 at Rs.8.25 lakhs on best judgement basis and levied tax amounting to Rs.57,750 but failed to levy interest for non payment of tax. The omission resulted in non-realisation of interest amounting to Rs.47,355.

On the omission being pointed out in Audit (December 1988), the department raised (February 1990) additional demand of interest of Rs.47,355 against the dealer and the same has been recovered from the dealer.

40.3 During the year 1981-82, a registered dealer engaged in the business of T.V., tape recorders, two-in-one, etc. had claimed deduction in his quarterly returns on account of sale made to other registered dealers to the tune of Rs.14.45 lakhs but could not produce declaration in Form ST-1 in support

of his claim. The assessing authority, while framing the assessment in January 1986, levied tax amounting to Rs.1.45 lakhs but did not levy interest amounting to Rs.96,834 for non payment of tax alongwith the returns. Similarly, the dealer claimed and was allowed concessional rate of tax in respect of inter-state sale to the tune of Rs.11.79 lakhs during 1981-82 but failed to produce declaration in Form 'C' in support of his claim. The assessing authority while framing assessment in January 1986 levied tax to the tune of Rs.70,716 but did not levy interest for non payment of tax alongwith returns. The omission resulted in non-realisation of interest amounting to Rs.1.44 lakhs.

Further, the dealer had transferred goods worth Rs.459.96 lakhs to his branches in which he had used raw material valued Rs.37.90 lakhs purchased by him without payment of tax by furnishing declaration in Form ST-1 to other registered dealer. Under third proviso to section 4(2)(b)(V) of the Act *ibid*, the above amount was to be included in the taxable turnover of the dealer. The assessing authority while framing assessment failed to include the value of raw material amounting to Rs.37.90 lakhs on the taxable turnover. The omission resulted in short levy of tax amounting to Rs.3.79 lakhs.

The omission was pointed out in Audit (April 1987) to the department; their reply has not been received (December 1990).

40.4 During the assessment year 1983-84, a registered dealer of Delhi engaged in the business of film projectors and films, had claimed deduction in his quarterly returns on account of sales made to other registered dealers amounting to Rs.9.27 lakhs but could not

produce declaration in Form ST-1 for Rs.8.29 lakhs and 'C' forms for Rs.98,151 in support of his claim. During the course of Audit in December 1988, it was noticed that the assessing authority while framing assessment (March 1988) levied tax amounting to Rs.92,707 but did not levy interest amounting to Rs.62,809 for non payment of tax alongwith the returns.

Further, the dealer had claimed and was allowed concessional rate of tax in respect of inter-state sale to the tune of Rs.16,785 on the basis of defective certificate in Form 'D'. The non-detection of defective forms resulted in tax being levied short amounting to Rs.1,007. Similarly, the dealer claimed and was allowed concessional rate of tax in respect of inter-state sale to the tune of Rs.11,452 on the basis of obsolete/defective declaration in Form 'C' which resulted in short levy of tax of Rs.687.

On the omission being pointed in Audit (December 1988), the department reassessed the dealer (February 1990) and raised an additional demand of Rs.59,847 against the dealer (Interest Rs.58,153 and tax Rs.1,694). Further, report on recovery has not been received (December 1990).

40.5 A registered dealer of Delhi engaged in the business of jute goods, etc. had claimed deduction in his quarterly returns on account of sale made during the year 1983-84 to other registered dealers to the tune of Rs.5.80 lakhs and concessional rate of tax in respect of inter-state sale amounting to Rs.5,610 but could not produce declaration in Form ST-1 and 'C' form in support of his claim. The assessing authority while framing assessment levied tax amounting to Rs.38,170 but did not levy interest amounting to Rs.26,433

for non payment of tax alongwith the returns.

The omission was pointed out in Audit (February 1989) to the department; their reply has not been received (December 1990).

40.6 A registered dealer of Delhi engaged in the business of paper had claimed deduction in his quarterly returns on account of sale made during the year 1982-83 to other registered dealers to the tune of Rs.8.48 lakhs but could not produce declarations in Form ST-1 in support of his claim. The assessing authority while framing the assessment (February 1987) levied tax amounting to Rs.42,406 but did not levy interest amounting to Rs.27,454 for non payment of tax alongwith the returns.

The omission was pointed out in Audit (November 1987) to the department; their reply has not been received (December 1990).

40.7 During the assessment year 1983-84, a registered dealer in Delhi had claimed deduction in his quarterly returns on account of sale made to other registered dealers to the tune of Rs.15.99 lakhs but could not produce declarations in Form ST-1 in support of his claim. The assessing authority while framing assessment (March 1988) levied tax amounting to Rs.1.12 lakhs but did not levy interest amounting to Rs.86,764 for non payment of tax alongwith returns.

The omission was pointed out in Audit (September 1988) to the department; their reply has not been received (December 1990).

40.8 During the year 1983-84, a registered dealer in Delhi engaged in the business of manufacture of iron chain and hardware goods had claimed deduction in his quarterly

returns on account of sale made during 1983-84 amounting to Rs.1.20 lakhs from his gross turnover on account of export out of India and claimed concessional rate of tax on sale amounting to Rs.14.19 lakhs made to registered dealers under inter-state sale but failed to produce the requisite certificates in support of his claim. The assessing authority while framing assessment levied tax and created an additional demand of tax of Rs.97,090. The assessing authority had levied interest amounting to Rs.155 for non payment of tax alongwith the returns whereas the amount of interest on non payment of tax alongwith the returns worked out to Rs.73,788.

The omission was pointed out in Audit (November 1988) to the department; their reply has not been received (December 1990).

40.9 A registered dealer in Delhi engaged in the business of kiriyana and dry fruits claimed deduction of Rs.4.67 lakhs from his gross turnover during the year 1983-84 on the ground that the sale was made to other registered dealers. The assessing authority while framing assessment disallowed the claim as the dealer failed to produce the prescribed declaration in Form ST-1 and levied tax on the sale of Rs.4.67 lakhs but did not levy interest for non payment of tax alongwith the returns. The omission resulted in non-realisation of interest amounting to Rs.23,565.

The omission was pointed out in Audit (August 1988) to the department; their reply has not been received (December 1990).

40.10 A registered dealer, in Delhi, engaged in the business of Kiriyana and dry fruits, claimed during the year 1983-84 deduction amounting to Rs.2.09 lakhs from his gross

turnover on account of sales made to other registered dealers but could not produce prescribed declaration in Form ST-1 in support of his claim. The assessing authority while framing assessment (March 1988) did not allow the claim and levied tax on the above sale but did not levy interest on non payment of tax alongwith the returns. The omission resulted in non levy of interest of Rs.13,740.

Further, the dealer had claimed deduction amounting to Rs.59,388 on account of sale made to other registered dealers and produced declaration in the prescribed Form ST-1 from the purchasing dealer. The assessing authority while framing the assessment in March 1988 found that issuing dealers of these Forms were not registered with the department and levied tax. The assessing authority had neither launched prosecution proceedings against the dealer nor levied penalty upto Rs.10,391.

On the omission being pointed out in Audit (June 1988), the department reassessed the dealer (March 1990) and raised an additional demand of Rs.49,829 (including penalty of Rs.36,181). The report of recovery has not been received (December 1990).

40.11 During the year 1980-81, a registered dealer engaged in the business of PVC cables had claimed deduction in his quarterly returns on account of sale made during 1980-81 to other registered dealer to the tune of Rs.3.12 lakhs but could not produce declarations in Form ST-1 in support of his claim. The assessing authority while framing the assessment (June 1987) levied tax amounting to Rs.21,851 but did not levy interest amounting to Rs.27,750 for non payment of tax alongwith returns.

On the omission being pointed out in Audit (August 1988), the department reassessed the case (May 1990) and raised an additional demand of Rs.45,397 on account of interest and penalty (interest Rs.35,397 and penalty Rs.10,000).

40.12 During the year 1983-84, a registered dealer of Delhi engaged in the business of resale of grease and mobile oil had claimed deduction of Rs.12.24 lakhs from his gross turnover on the ground that the sale was made to other registered dealers. The assessing authority while framing assessment disallowed the claim of the dealer and levied tax on the sale of Rs.12.24 lakhs but did not take any action to levy interest for non payment of tax alongwith the returns.

On the omission being pointed out in Audit (March 1989), the department in their reply stated (July 1990) that an additional demand of Rs.57,450 on account of interest has been raised. Report on recovery has not been received (December 1990).

40.13 A registered dealer, in Delhi, engaged in the business of paper and paper board claimed deduction of Rs.10.95 lakhs from his gross turnover during the assessment year 1983-84, on the ground that the sale was made to other registered dealers. The assessing authority while framing assessment disallowed the claim of the dealer and levied tax on the sale of Rs.10.95 lakhs but did not take any action to levy interest amounting to Rs.39,907 for non payment of tax alongwith the returns.

Further, the dealer had claimed and was allowed deduction of sale from his gross turnover on the ground that the sale valued at Rs.59,459 made to other registered dealers on the basis of prescribed

declaration submitted by him. As seen in Audit (September 1988), the declaration was defective as the registration number and date of liability/validity was not noted on ST-1 forms. Thus, the deduction allowed was irregular and resulted in short levy of tax amounting to Rs.2,972.

On the omission being pointed out in Audit (September 1988), the department reassessed (June 1990) the case and raised an additional demand of Rs.69,555. The report on recovery has not been received (December 1990).

The above cases were reported to the Ministry of Home Affairs between April 1990 and September 1990; their reply has not been received (December 1990).

41. Non levy of penalty

Under Section 50 (d) read with Section 56 (3) of the Delhi Sales Tax Act, 1975, when a registered dealer while purchasing goods, commits an offence of representing any goods or class of goods not covered by his certificate of registration, that such goods or class of goods are covered by such certificates shall, apart from the penalty not exceeding two and a half times of tax leviable, 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 Rs.200 during the period of the continuance of offence.

41.1 During the year 1982-83, a registered dealer in Delhi had purchased from other registered dealers, goods valued at Rs.22.21 lakhs without payment of tax by misrepresenting that the goods purchased were covered by his registration certificate. The

assessing authority while finalising his assessment in November 1986 failed to notice the misrepresentation and consequently neither prosecution proceedings were launched against the dealer, nor did the assessing authority impose penalty not exceeding Rs.5.55 lakhs which was leviable on the dealer.

On the failure being pointed out in Audit (February 1988), the department reassessed the dealer (August 1989) and levied tax amounting to Rs.2.22 lakhs and imposed a penalty of Rs. 5.55 lakhs. Report on recovery has not been received (December 1990).

41.2 During the year 1982-83, a registered dealer in Delhi had purchased from other registered dealers, goods valuing Rs.1.40 lakhs without payment of tax, by misrepresenting that the goods purchased were covered by his registration certificate. The assessing authority while finalising the assessment in July 1986 failed to detect the misrepresentation and consequently neither prosecution proceedings were launched against the dealer nor did the assessing authority impose penalty not exceeding Rs.24,517 which was leviable on the dealer.

On the failure being pointed out in Audit (March 1988), the department reassessed the dealer (September 1989) and levied tax amounting to Rs.9,807 and imposed penalty of Rs.24,517. Report on recovery has not been received (December 1990).

41.3 During the year 1982-83, a registered dealer in Delhi engaged in the business of chemicals had claimed and was allowed deduction from gross turnover on account of sale made to other registered dealers and submitted declaration in Form ST-1 but on cross verification

of declaration by the department, two certificates amounting to Rs.7.05 lakhs were found not issued by the department. The assessing authority taxed (March 1987) the sale but failed to take penal action under section 56 of the Delhi Sales Tax Act, 1975, which resulted in non levy of the penalty not exceeding Rs.1.23 lakhs

On the omission being pointed out in Audit (May 1988), the department imposed (January 1989) a penalty of Rs.50,000 on the dealer. The department also intimated in May 1990 that the Commissioner of Sales Tax has accepted the revision petition of the dealer and has remanded the case.

41.4 During the year 1980-81, a registered dealer dealing in motor parts in Delhi had purchased from other registered dealers, goods valued at Rs.8.24 lakhs without payment of tax, by misrepresenting that the goods purchased were covered by his registration certificate. The assessing authority while finalising the assessment for the year 1980-81, failed to detect the misrepresentation and to initiate prosecution proceedings or to impose penalty on the dealer. The failure to detect the misrepresentation led to non levy of penalty amounting to Rs.1.03 lakhs.

The omission was pointed out to the department (July 1987); their reply has not been received (December 1990).

41.5 In Delhi, a registered dealer engaged in the business of watches and electrical goods had purchased goods valued at Rs.3.06 lakhs without payment of tax, by furnishing declaration in Form ST-1 as seen in Audit from the assessment records of the selling dealer for the year 1981-82, but in the utilisation account of statutory

form he had shown purchases amounting to Rs.7,807 only. The assessing authority while finalising the assessment in March 1986 taxed the suppressed purchases but penalty not exceeding Rs.74,472 was not levied on the dealer.

The omission was pointed out to the department (December 1987); their reply has not been received (December 1990).

41.6 A registered dealer, in Delhi, engaged in the business of manufacture of machinery parts purchased without payment of tax, oil, chemical and R.S.Joint valued at Rs.1.71 lakhs during the year 1982-83 by declaring that the goods were covered under his certificate of registration even though these goods were not included in his registration certificate either for the purpose of resale or for manufacture of goods for resale. The assessing authority while making the assessment (March 1987) failed to detect misrepresentation and allowed the dealer's claim. The failure resulted in non-imposition of penalty not exceeding Rs.30,123 on the dealer.

The omission was pointed out in Audit to the department (May 1987); their reply has not been received (December 1990).

41.7 In Delhi, a registered dealer, engaged in the business of manufacture, sale and resale of sweets, purchased kiriyana goods, petha, packing paper, paper products, etc. valued at Rs.10.47 lakhs without payment of tax by furnishing declarations in Form ST-1 during the year 1981-82 by misrepresenting that the goods purchased were covered under his registration certificate. In Audit scrutiny (March 1987), it was seen that these goods were not included in his registration certificate

either for the purpose of resale or for manufacture of other goods for sale. The assessing authority while finalising assessment for the year failed to detect this misrepresentation and to initiate prosecution proceedings nor imposed penalty which could be levied upto Rs.1.83 lakhs.

The omission was pointed out in Audit (March 1988) to the department; their reply has not been received (December 1990).

41.8 A registered dealer in Delhi engaged in the business of resale of suitcase fittings, purchased M.S.Box, Bright Box, M.S. Rounds, Card Board boxes, paints, polishing material, etc. for Rs.3.31 lakhs, free of tax, during the year 1982-83 by misrepresenting that the goods purchased were covered under his certificate of registration even though these items were not included in his registration certificate for the purpose of resale. The assessing authority failed to detect (February 1987) this misrepresentation and consequently neither were prosecution proceedings launched against the dealer nor action to impose penalty upto Rs.57,854 was taken against the dealer by the assessing authority.

The irregularity was pointed out in Audit (March 1988) to the department; their reply has not been received (December 1990).

41.9 During the course of Audit (March 1988), it was seen that a registered dealer in Delhi engaged in the business of manufacturing and resale of novelties, purchased plastic powder, craft paper, etc. valued at Rs.6.66 lakhs free of tax during the year 1982-83 by misrepresenting that the goods purchased were covered under his certificate of registration even though these items were not included

in his registration certificate either for the purpose of manufacturing of goods for sale or for resale. The assessing authority while finalising assessment in December 1986 failed to detect this misrepresentation and consequently neither prosecution proceedings were launched against the dealer nor action taken to impose penalty upto Rs.1.17 lakhs which was leviable on the dealer.

The omission was pointed out in Audit (March 1988) to the department; their reply has not been received (December 1990).

The above cases were reported to the Ministry of Home Affairs between April 1990 and September 1990; their reply has not been received (December 1990).

Directorate of Transport and Tourism

42. Loss of revenue due to incorrect fixation of permit fee

Under Rule 4(12) of the Delhi Motor Vehicle Rules, 1959, as amended from time to time, the permit fee to be levied for the temporary permit issued or renewed for a period of four months at a time was Rs.200. Fee prescribed for issue of a temporary permit for a period of less than four months was, however, rupees five per day.

During test check of records of the Directorate of Transport by Audit (May 1989), it was noticed that temporary permits for a period of 15 days or one month or two months were issued in 1,549 cases. Proportionate fee of Rs.25, Rs.50 and Rs.100 was charged for a period of 15 days, one month and two months respectively at the rate of Rs.50 per month instead of rupees five per day for each permit. Since the rules did not provide for

charging of fee for temporary permits at monthly rate for periods of less than four months, the practice followed by the Directorate was irregular. The non observance of rules correctly had resulted in loss of revenue amounting to Rs.1.62 lakhs.

The omission was pointed out to the department in May 1989. The department intimated (January 1990) that recovery proceedings against the permit holders have been initiated. A sum of Rs.48,175 out of Rs.1.62 lakhs has been recovered (December 1990).

The case was also reported to the Ministry of Home Affairs (May 1990); their reply has not been received (December 1990).

43. Loss of revenue due to non-realisation of parking charges

The scooter/car stands at the offices of the Director of Transport, Rajpur Road and Tilak Marg, New Delhi are being run by an Automobile Association from February 1983 on contract basis. The parking charges are collected by the Association which are to be shared by the Director of Transport and the Association on 50:50 basis and the charges as per terms and conditions of lease agreement connotes charges receiveable by the lessee for parking. A test check of records (May 1989) in Audit revealed that the Directorate had not made any effective efforts to recover its share of parking charges amounting to Rs.1.62 lakhs due from the Association. The Association deposited (May 1989) a sum of Rs.59,615 constituting 50 per cent Government share of parking charges for the period from February 1983 to March 1988 after erroneously deducting the expenses defrayed by it on the staff deployed on collection, etc. Besides, annual

dues for the period from April 1988 to March 1989 amounting to Rs.57,472 were not paid by the Association.

The omission was pointed out to the department in May 1989. The department stated in October 1989 that the Association has been asked to deposit the balance amount due for the year 1988-89 also. The department in its reply has stated that a further sum of Rs.35,456 for the year 1988-89 was deposited by the Association in November 1989. The report on recovery of the balance amount of Rs.22,016 has not been received (December 1990).

The matter was reported to the Ministry of Home Affairs (May 1990); their reply has not been received (December 1990).

State Excise

44. Loss of revenue due to non-recovery of extra expenditure incurred on procurement of country liquor

Under Rule 32 of Delhi Liquor Licence Rules, 1976, the licences for the supply of country liquor (Form L-9 and CLW-1) are to be settled either by inviting tender or by public auction. Accordingly, every year tenders are invited for the allotment of these licences and are awarded to two or more tenderers on the basis of lowest tenders. Tender rules further provide that if any allottee of such tender refuses to accept the supply order placed with him for supply of country liquor or fails to supply the

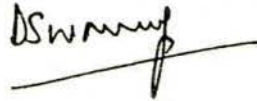
quantity ordered, the Commissioner of Excise can procure the non-supply or deficient supply from the readily available alternative source at the risk and expense of the original licensee.

In the Union Territory of Delhi, for the grant of liquor licences in Form L-9 and CLW-1 for the year 1987-88, tenders were invited (March 1987) by the Commissioner of Excise. The licences for the supply of country liquor were awarded (April 1987) to the three lowest tenderers in the ratio of 10,60, and 30 per cent of the total supply for the year. Accordingly, orders for the supply of country liquor were placed with all these three licensees in April 1987. The first lowest tenderer refused to supply the liquor on the ground that the supply order placed was not based on the terms and conditions as laid down in Notice Inviting Tender (NIT), whereas the second lowest tenderer failed to supply the full quantity of country liquor ordered. The department procured the required quantity of the liquor from the open market by incurring an extra cost of Rs.7.81 lakhs. No action was taken by the department for realisation of revenue amounting to Rs.7.81 lakhs from the original allottees of the tenders.

On the omission being pointed out (March 1989) in Audit, the department in their reply (May 1989) had not furnished any comments in the matter.

The matter was reported to the
Ministry of Home Affairs in May

1990; their reply has not been
received (December 1990).



(D.SWARUP)

Principal Director of Audit-II, Central Revenues

New Delhi
The

18 JUL 1991

Countersigned



(C.G.SOMIAH)

Comptroller and Auditor General of India

New Delhi
The

10 JUL 1991

APPENDIX I
(Refers to Paragraph 19)

Losses and irrecoverable dues written off/waived and *ex gratia* payments made

In eleven cases a sum of Rs.0.21 lakh representing losses due to failure of system and due to other reasons was written off and in one case *ex gratia* payment amounting to Rs.1.00 lakh was made during 1989-90 as detailed below :

Department	<u>Due to failure of system</u>		<u>Due to other reasons</u>		<u>Ex gratia payments</u>	
	No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)
Police	1	0.03	-	-	1	1.00
Guru Nanak Eye Centre	-	-	1	0.04	-	-
Training & Technical Education	-	-	2	0.02	-	-
Public Works Department (Zone I)	-	-	6	0.11	-	-
Delhi High Court	-	-	1	0.01	-	-
Total	1	0.03	10	0.18	1	1.00

