सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Revenue
and
Social and Economic Sectors (PSUs)
for the year ended 31 March 2018

भारतीय लेखापरीक्षा और लेखा विभाग ✦ INDIAN AUDIT AND ACCOUNTS DEPARTMENT

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of National Capital Territory of Delhi

Report No. 2 of the year 2019

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Annexures

Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 has been prepared for submission to the Lieutenant Governor of Delhi. This Report contains two parts.

Chapter-I of this Report relates to the audit of Revenue Sector departments of the Government. The audit of receipts is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and is required to be placed before the Legislative Assembly of National Capital Territory of Delhi under Section 48 of the Government of National Capital Territory of Delhi Act, 1991. This Chapter presents the results of audit of receipts such as value added tax, state excise and taxes on motor vehicles of the Government of NCT of Delhi for the year ended 31 March 2018.

Chapter-II of this Report relates to the audit of State Public Sector Undertakings. Audit of accounts of Government Companies is conducted by the Comptroller and Auditor General under the provisions of Section 619 of the Companies Act, 1956 and Sections 139 and 143 of the Companies Act, 2013 and audit of Statutory Corporations under their respective legislation. The Government is required to submit this portion of the Audit Report to the Legislative Assembly of National Capital Territory of Delhi under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2017-18 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports; instances relating to the period subsequent to 2017-18 but pertaining to the year 2017-18 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

This Report comprises two chapters containing audit findings pertaining to Revenue and Social and Economic Sectors (PSUs). Chapter I relating to Revenue Sector contains eight paragraphs involving ₹ 705.58 crore on under-assessment, short payment/loss of revenue, interest and penalty and Chapter II relating to Social and Economic Sectors (PSUs) contains one Performance Audit and two paragraphs involving ₹ 458.56 crore. Some of the major findings are mentioned below:

Chapter-I: Revenue Sector

The total revenue receipts of the Government for the year 2017-18 were ₹ 38,667.27 crore as compared to ₹ 34,345.74 crore in the year 2016-17. Out of this, 94 *per cent* was raised through tax revenue (₹ 35,717.02 crore) and non-tax revenue (₹ 766.06 crore). The balance six *per cent* was received from the Government of India as grants-in-aid (₹ 2,184.19 crore). The increase in tax revenue was 14.70 *per cent* and increase in non-tax revenue was 101.23 *per cent* over the previous year.

(Para 1.1.1)

Test check of the records of 70 units of the Department of Trade and Taxes, State Excise, Transport and Revenue conducted during the year 2017-18 revealed under assessment/short levy/loss of revenue and other irregularities involving ₹ 1,701.14 crore in 500 cases. During the course of the year, the concerned Departments accepted under assessment and other deficiencies of ₹ 390.39 crore.

(Para 1.1.9.1)

During the year, the Department of Trade and Taxes recovered an amount of ₹ 26.05 lakh at the instance of audit. This amount includes recovery of ₹ 19.49 lakh in respect of three dealers, who matched their additional demand of ₹ 15.08 lakh incorrectly with regular tax paid previously in the 'Reconciliation' module of the system. This indicated lack of monitoring by the Department in cross-checking the amounts reflected in the system as paid by the dealers, with the actual amount received from the banks. Though the Department recovered the full amount of ₹ 19.49 lakh after being pointed out by audit in this case, being a system deficiency, it needs to be addressed by the Department.

(Para 1.1.9.2)

Department of Trade and Taxes

Preparedness for transition to Goods and Services Tax

The protected revenue for the period July 2017 to March 2018 was ₹ 16,359.36 crore whereas the actual receipt under Goods and Services

Tax was ₹ 16,019.35 crore. The Department had received ₹ 326.00 crore against compensation amount of ₹ 340.01 crore.

(Para 1.2.3)

During the period July 2017 to March 2018, 70 *per cent* to 98 *per cent* taxpayers had filed their returns. Audit is of the view that the Department needs to take concrete steps to ensure pending returns are filed by the taxpayers expeditiously.

(Para 1.2.7.2)

Four taxpayers had claimed transitional credit of ₹ 8.85 crore in TRAN -1 under Goods and Services Tax Act. However, as per the returns filed under DVAT Act, credit of only ₹ 0.16 crore was available. Five taxpayers had claimed transitional credit of ₹ 19.44 crore. However, there was a mismatch of purchase made by these taxpayers compared to the sale amount made by the corresponding selling dealers during the Value Added Tax regime.

(Para 1.2.7.4)

Input Tax Credit

There were 130 cases of excess carried forward of Input Tax Credit of ₹ 21.03 crore and irregular claim of Input Tax Credit of ₹ 18.82 crore in 37 cases where the selling dealers were not registered with the Department of Trade and Taxes in the related tax period.

(Para 1.3.3 and 1.3.4(i))

The cases of excess claim of Input Tax Credit by inflating purchases, Input Tax Credit claimed against purchases from dealers who had not shown any corresponding sale and Input Tax Credit claimed against purchases from dealers who had not filed any return were also noticed.

(Para 1.3.4(iii))

Objection and Appeal cases in VAT

The data on cases added and disposed shows an increasing trend of cases requiring disposal with each passing year during 2014-15 to 2016-17. From 31,726 cases pending disposal as on 31 March 2015, the pendency of cases has increased to 40,120 as on 31 March 2017, with the demand amount pending adjudication increasing from ₹ 4,944 crore to ₹ 10,194 crore. There was a decreasing trend in cases where appeal was made by the dealers, as the pendency decreased to 2,370 cases as on 31 March 2017 from 2,695 cases as on 31 March 2015. Audit observed that objection cases were remanded back to Assessing Authorities by the Objection Hearing Authorities even though there is no such provision in the DVAT Act. There was lack of monitoring system of remanded back cases, as either re-assessment was not done by the Assessing Authorities or re-assessed demand amounts remained unrecovered. There were many cases of long delay in filing of objection by the dealers, for which the justification for acceptance and condonation of those delays were not available in the records produced to Audit. Objection cases filed by the dealers during the period 2014-15 to 2016-17 had not been decided for periods ranging from one year to three years. Objection and appeal cases decided by the Objection Hearing Authorities and the Appellate Tribunal in favour of the Department had not been followed up by the competent authorities thereby resulting in non-recovery of government revenue.

(Para 1.4)

Failure of the assessing officers to ensure eligibility of assessees for concessional tax resulted in short levy of tax of ₹ 2.19 crore. In addition, interest of ₹ 1.20 crore and penalty of ₹ 2.19 crore were also leviable.

(Para 1.5)

Mis-classification of taxable sale of ₹ 4.94 crore as exempted sale in DVAT-16 return resulted in non-realisation of tax of ₹ 61.74 lakh. In addition, interest of ₹ 38.09 lakh was also leviable.

(Para 1.6)

The Department failed to recover demand of ₹ 13.15 crore from assessees whose registrations had been cancelled.

(Para 1.7)

Mis-classification of taxable sale of ₹ 4.73 crore as exempted sale in DVAT-16 return resulted in non-realisation of tax of ₹ 59.12 lakh. In addition, interest of ₹ 39.20 lakh and penalty of ₹ 59.12 lakh were also leviable.

(Para 1.8)

Failure of the Assessing Authority to levy interest on additional demand of ₹ 71.68 lakh, resulted in non-levy of interest of ₹ 49.05 lakh.

(Para 1.9)

Chapter-II: Public Sector Undertakings (PSUs)

As on 31 March 2018, there were 18 State PSUs which included 16 Government companies and two statutory corporations. The working PSUs registered an annual turnover of ₹ 8,119.06 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 1.18 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹ 6,86,017 crore). The working PSUs incurred loss of ₹ 2,909.83 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed 0.31 lakh employees.

(Para 2.1.1.2)

As on 31 March 2018, the total investment (equity and long term loans) in five power sector undertakings was ₹ 12,740.46 crore. The investment consisted of 58.92 *per cent* towards equity and 41.08 *per cent* in long-term loans.

(Para 2.1.2.4)

The profit earned by Power Sector PSUs was ₹ 879.63 crore in 2017-18 against ₹ 758.96 crore in 2013-14. According to their latest finalised accounts, out of these five PSUs, four PSUs earned profit and one PSU incurred marginal losses. The top profit making companies were Delhi Transco Limited (₹ 627.18 crore) and Pragati Power Corporation Limited (₹ 211.37 crore).

(Para 2.1.2.9)

The overall accumulated losses of five power sector undertakings were ₹ 157.28 crore as against the capital investment of ₹ 7,506.79 crore resulting in net worth of ₹ 7,349.19 crore after deducting the deferred revenue expenditure of ₹ 0.32 crore. Out of the five power sector undertakings, the net worth was eroded completely in Delhi Power Company Limited (-₹ 779.11 crore).

(Para 2.1.2.13)

During the last five years, the turnover of five power sector undertakings recorded compounded annual growth of 2.81 *per cent* and compounded annual decline in debt was 6.97 *per cent* due to which the Debt-Turnover Ratio improved from 1.87 in 2013-14 to 1.25 in 2017-18.

(Para 2.1.2.19)

As on 31 March 2018, the total investment (equity and long term loans) in 13 State PSUs (other than power sector) was ₹ 14,143.21 crore. The investment consisted of 16.56 *per cent* towards equity and 83.44 *per cent* in long-term loans. The Long term loans advanced by the State government constituted 99.75 *per cent* (₹ 11,772.20 crore) of the total long term loans whereas 0.25 *per cent* (₹ 29.04 crore) of the total long term loans were availed from other financial institutions.

(Para 2.1.3.4)

Of the total 13 PSUs (other than Power Sector), there were 11 Government Companies and two Statutory Corporations under the purview of CAG as of 31 March 2018.

(Para 2.1.3.8)

The 13 PSUs (other than Power Sector) incurred overall losses during the five year period from 2013-14 to 2017-18. Major losses were incurred by Delhi Transport Corporation to the tune of ₹ 3,843.62 crore as per the latest finalised accounts of the corporation. As per the latest finalised accounts for the year 2017-18, out of the 13 PSUs, five PSUs earned profit of ₹ 70.32 crore and four PSUs incurred losses of ₹ 3,859.78 crore and four PSUs incurred marginal profit and loss.

(Para 2.1.3.12)

During the last five years, the turnover of the 13 PSUs (other than Power Sector) recorded compounded annual decline of 4.18 *per cent* and compounded annual growth of debt was 0.03 *per cent* due to which the debt turnover ratio deteriorated from 2.52 in 2013-14 to 2.99 in 2017-18.

(Para 2.1.3.23)

Department of Transport

A performance audit of Management of Public Transport Infrastructure in Delhi by Delhi Transport Infrastructure Development Corporation Limited covering the period from 2013-14 to 2017-18, indicated the slow progress of the projects of upgradation of existing ISBTs and development of new ISBTs. Also, even after passage of more than five years after being assigned the responsibility of managing the Bus Queue Shelters, DTIDC failed to construct any new Bus Queue Shelter. Some of the significant audit findings are as under:

Due to failure of Delhi Transport Infrastructure Development Corporation Limited to provide work fronts timely, the upgradation work of ISBT Kashmere Gate could not be completed even after more than eight years of stipulated completion date, resulting in raising of claims of ₹ 113.80 crore by contractor and DIMTS.

(Para 2.2.2.1 (A) (a))

Even after the lapse of more than 20 years of the Supreme Court directions to establish ISBTs at North and South West entry points of Delhi, ISBTs at Dwarka and Narela could not be established. The objective of reducing air pollution in GNCTD by establishing these two ISBTs could not be achieved as 516 and 1243 inter-state diesel operated buses arriving from Haryana, Rajasthan, Punjab and Himachal Pradesh continue to ply to/from ISBTs at Sarai Kale Khan and Kashmere Gate respectively, on daily trip basis.

(Para 2.2.2.1(A) (c))

In case of Narela ISBT, after releasing payment of ₹ 10.30 crore to DDA, the land for establishment of the ISBT has not yet been finalised even after the lapse of 11 years.

(Para 2.2.2.1(A) (c)(ii))

Delhi Transport Infrastructure Development Corporation Limited failed to find suitable concessionaires since 2013 for development of 1397 BQSs. No alternate funding methods were considered as a result of which no new BQS, has been constructed in the last five years.

(Para 2.2.2.2 (a))

Delhi Transport Infrastructure Development Corporation Limited incurred avoidable payment of interest of ₹ 2.76 crore due to default/delay in filing of ITR and default/deferment in payment of advance tax.

(Para 2.2.3.1)

Delhi Transport Infrastructure Development Corporation Limited made underpayment of ₹ 25.55 crore to GNCTD.

(Para 2.2.3.2)

Delhi Transport Infrastructure Development Corporation Limited failed to finalise its Recruitment Rules even after eight years of incorporation. In the absence of Recruitment Rules, it was not appointing regular staff in the Engineering and Non-Engineering Cadres and was managed by staff on deputation basis from Department of Transport, GNCTD, thereby lacking continuity of service in the organisation.

(Para 2.2.4.1)

Department of Tourism

Delhi Tourism and Transportation Development Corporation

Injudicious decision of Delhi Tourism and Transportation Development Corporation to enter into an agreement with a firm for the operations of Coffee Home without seeking consent of New Delhi Municipal Corporation (land owning agency) resulted in loss of revenue of ₹ 3.05 crore.

(Para 2.3)

The Delhi Tourism and Transportation Development Corporation in contravention of Central Vigilance Commission guidelines, deviated from the tender conditions after awarding the work, resulting in loss of concession fee and undue benefit to the Operator amounting to ₹ 0.68 crore.

(Para 2.4)

PART 'A'

Revenue Sector

Chapter-I
Revenue Sector

Chapter-I

Revenue Sector

1.1 Introduction

1.1.1 Trend of revenue receipts

1.1.1.1 The tax and non-tax revenue raised by the Government of National Capital Territory of Delhi (GNCTD) during the year 2017-18, Grants-in-aid received from the Government of India (GoI) during the year and the corresponding figures for the preceding four years are depicted in **Table-1.1:**

Table-1.1: Trend of revenue receipts

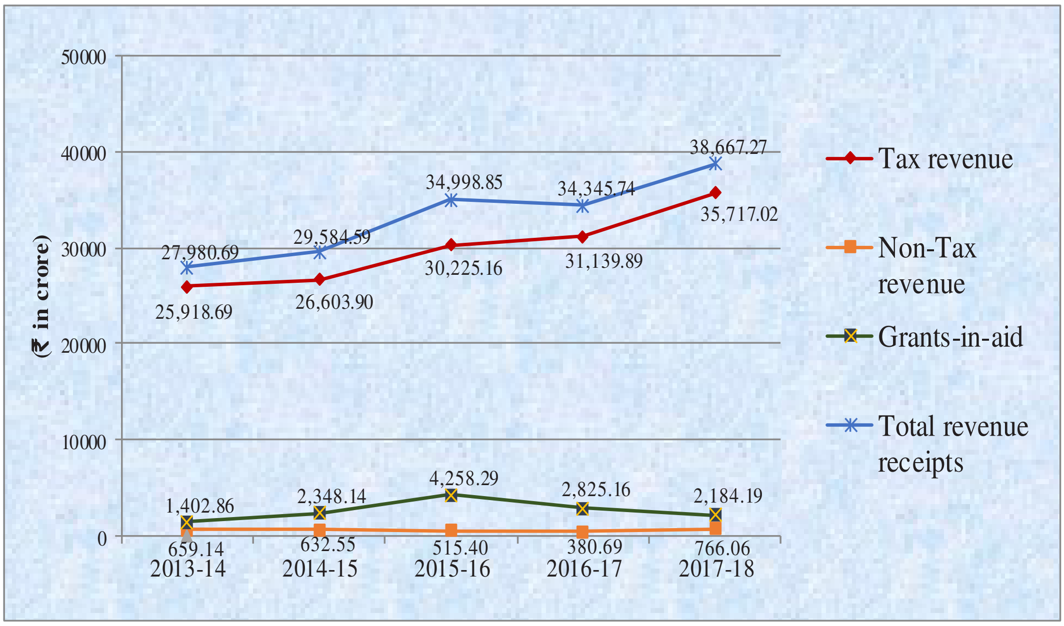
(₹ in crore)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	**Revenue raised by the GNCTD**					
	Tax revenue	25,918.69	26,603.90	30,225.16	31,139.89	35,717.02
	Non-tax revenue	659.14	632.55	515.40	380.69	766.06
	Total	**26,577.83**	**27,236.45**	**30,740.56**	**31,520.58**	**36,483.08**
2	**Receipts from the Government of India**					
	Grants-in-aid	1,402.86	2,348.14	4,258.29	2,825.16	2,184.19
3	**Total revenue receipts of the GNCTD (1 and 2)**	**27,980.69**	**29,584.59**	**34,998.85**	**34,345.74**	**38,667.27**
4	**Percentage of 1 to 3**	**95**	**92**	**88**	**92**	**94**

Source: Finance Accounts

The year-wise trend in revenue receipts during 2013-14 to 2017-18 is depicted in the **Chart-1.1:**

Chart- 1.1



The revenue raised by the NCT of Delhi of ₹ 36,483.08 crore during the year 2017-18 was 94 *per cent* of the total revenue receipts. The balance six *per cent* of the receipts during 2017-18 was Grants-in-aid from the GoI.

1.1.1.2 The details of tax revenue raised during the period 2013-14 to 2017-18 are given in **Table-1.2:**

Table-1.2: Details of Tax Revenue raised

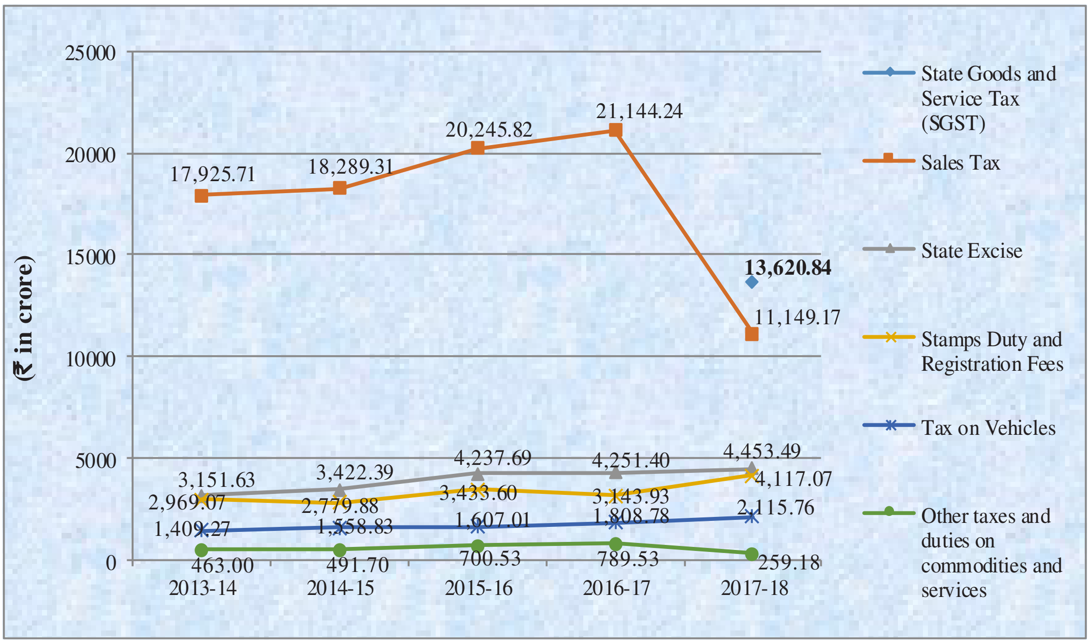
(₹ in crore)

Sl. No.	Head of revenue	2013-14 (percentage of total tax revenue)	2014-15 (percentage of total tax revenue)	2015-16 (percentage of total tax revenue)	2016-17 (percentage of total tax revenue)	2017-18 (percentage of total tax revenue)	Percentage of increase (+) or decrease (-) in actual of 2017-18 over 2016-17
1	**State Goods and Services Tax (SGST)**	-	-	-	-	13,620.84 (38.14%)	17.15
2	**Sales Tax**	17,925.71 (69.16%)	18,289.31 (68.75%)	20,245.82 (66.98%)	21,144.24 (67.90%)	11,149.17 (31.21%)	
3	**State Excise**	3,151.63 (12.16%)	3,422.39 (12.86%)	4,237.69 (14.02%)	4,251.40 (13.65%)	4,453.49 (12.47%)	4.75
4	**Stamps Duty and Registration Fees**	2,969.07 (11.46%)	2,779.88 (10.45%)	3,433.60 (11.36%)	3,143.93 (10.10%)	4,117.07 (11.53%)	30.95
5	**Tax on Vehicles**	1,409.27 (5.43%)	1,558.83 (5.86%)	1,607.01 (5.32%)	1,808.78 (5.81%)	2,115.76 (5.92%)	16.97
6	**Other taxes and duties on commodities and services**	463.00 (1.79%)	491.70 (1.85%)	700.53 (2.32%)	789.53 (2.53%)	259.18 (0.73%)	-67.17
7	**Land Revenue**	0.01 (0.00004%)	61.79 (0.23%)	0.51 (0.002%)	2.01 (0.01%)	1.51 (0.004%)	-24.88
	Total Tax Revenue	**25,918.69**	**26,603.90**	**30,225.16**	**31,139.89**	**35,717.02**	

Source: Finance Accounts

Year-wise trend of various tax revenues is depicted in **Chart-1.2:**

Chart-1.2



The overall actual tax receipts of the NCT of Delhi shows an increasing trend which increased to ₹ 35,717.02 crore in 2017-18 from ₹ 25,918.69 crore in 2013-14. The GNCTD introduced State Goods and Services Tax (SGST) and it came into force from July 2017 in place of Value Added Tax (VAT). **Under the head SGST, actual receipts during the year 2017-18 was ₹ 13,620.84 crore against budget estimate (BE) of ₹ 14,600.00 crore.** The major contribution in revenue receipts was from Sales Tax/SGST which grew by 17.15 *per cent* in 2017-18 over the previous year. **The actual receipts for the year 2017-18 under the heads 'Stamps Duty and Registration Fees' and 'Tax on Vehicles' increased by 30.95 *per cent* and 16.97 *per cent* respectively in 2017-18 while receipts under the head 'Other taxes and duties on commodities and services' decreased by 67.17 *per cent* over the previous year**. The respective Departments reported the following reasons for variation during the year:

Department of Trade and Taxes

Department of Trade and Taxes stated that the tax receipts increased due to difference in tax rate of items under GST regime and VAT regime. Items such as automobile, electronic items, soft drinks, paint, drinking water etc. were taxed @ 12.5 *per cent* under DVAT Act, whereas these items are now taxable @ 18 or 28 *per cent* under GST.

Transport Department

Transport Department stated that tax receipts increased during 2017-18 under the head 'Tax on Vehicles' due to:

(i) increase in the number of vehicles registrations;

(ii) imposing of 'Green Tax' of one *per cent* of ex-show room price on registration of diesel vehicles;

(iii) revision of rates in respect of fees for Driving Licence from ₹ 300 per licence to ₹ 1,350 per licence etc.

Department of Revenue

Department of Revenue stated that tax receipts increased during 2017-18 under the head 'Stamps Duty and Registration Fees' due to increase of registration of documents. During the year 2016-17, documents valuing ₹ 2,237.10 crore were registered, whereas the value of documents registered during 2017-18 was ₹ 3,211.46 crore.

Other taxes and duties on commodities and services: Department stated that the decrease in receipts during 2017-18 was due to implementation of GST w.e.f. 01 July 2017. Taxes such as Entertainment, Luxury, Cable and Betting Tax, earlier were under this head, subsumed in GST and accordingly there was less receipts in 2017-18 under this head and receipts of taxes on Entertainment, Luxury, Cable and Betting are coming under GST after 1 July 2017.

Land Revenue

Land and building Department is not regular collector of Land Revenue. In October 2013 an order was passed by the Hon'ble Delhi High Court giving an award of ₹ 2.48 crore alongwith interest @ nine *per cent* per annum. In compliance of the above order part amount of ₹ two crore and ₹ 1.50 crore was received in 2016-17 and 2017-18 respectively.

1.1.1.3 The details of the non-tax revenue raised during the period 2013-14 to 2017-18 are indicated in **Table-1.3:**

Table-1.3: Details of Non-tax Revenue raised

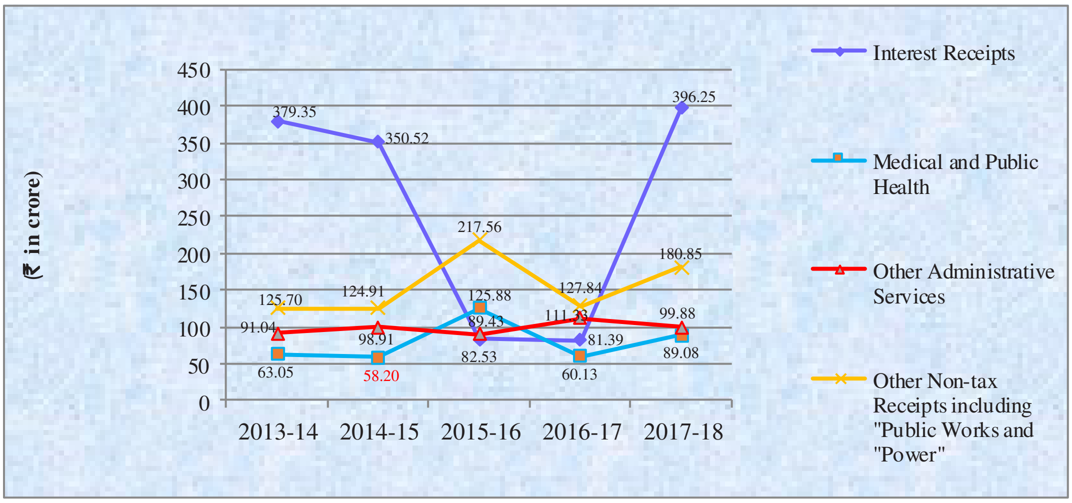
(₹ in crore)

Sl. No	Head of Revenue	2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease (-) in Actual of 2017-18 over 2016-17
1	Interest Receipts	379.35	350.52	82.53	81.39	396.25	386.85
2	Medical and Public Health	63.05	58.20	125.88	60.13	89.08	48.15
3	Public Works	18.59	14.74	18.47	22.23	14.34	-35.49
4	Power	18.46	16.38	42.06	21.40	26.25	22.66
5	Other Administrative Services	91.04	98.91	89.43	111.33	99.88	-10.28
6	Other[1] Non-tax Receipts	88.65	93.79	157.03	84.21	140.26	66.56
Total		**659.14**	**632.54**	**515.40**	**380.69**	**766.06**	

Source: Finance Accounts

Year-wise trend of various Non-tax revenues is depicted in **Chart-1.3:**

Chart- 1.3



The non-tax revenue of the State shows decreasing trend from ₹ 659.14 crore in 2013-14 to ₹ 380.69 crore in 2016-17 and then improved to ₹ 766.06 crore in 2017-18. **The major contribution in non-tax revenue receipts was from 'Interest Receipts' which increased by ₹ 314.86 crore (386.85 *per cent*) during the current year over the previous year.**

Revenue receipts under the head 'Medical and Public Health' and 'Power' for the year 2017-18 increased by 48.15 *per cent* and 22.66 *per cent* respectively while the receipts under the heads 'Public Works' and 'Other Administrative Services' decreased by 35.49 *per cent* and 10.28 *per cent* respectively over the previous year. The respective Departments reported the following reasons for variation during the year:

[1] Dividends and Profits, Public Service Commission, Police, Jails, Education, Family welfare, Housing, Urban development, Information & Publicity, Labour and Employment, Social Security and Welfare, Crop Husbandry, Animal Husbandry, Fisheries, Forest and Wild Life, Cooperation, Other Agricultural Programme, Other Rural Development Programmes, Medium Irrigation, Village and Small Industries, Non-ferrous mining and metallurgical industries, Tourism, Civil Supplies, Other general economic services.

Interest Receipts

The Government stated that non-tax revenue increased during 2017-18 under the head 'Interest Receipts' was due to payment of arrears of ₹ 332.27 crore of interest on loans for the year 2013-14 to 2016-17 by Delhi Transco Limited.

Medical and Public Health

The increase in revenue under 'Medical and Public Health' was due to more realisation of receipts from Urban Health Services and Public Health.

Public Works

The decrease in revenue under 'Public Works' in 2017-18 was due to less realisation of receipts from office buildings.

Power

Increase in revenue was due to receipts of outstanding annual licence fee of ₹ 2.10 crore for the year 2016-17 and advance licence fee of ₹ 2.10 crore for the year 2018-19 from Delhi Transco Limited during the year 2017-18.

Other Non-tax Receipts

The major increase under the head was from Dividends and Profits, Urban Development and Labour and Employment Department's receipts.

(i) Receipts under Dividend and Profits during the year 2017-18 was ₹ 15.91 crore as compared to previous year receipts of ₹ 11.28 crore.

(ii) Receipts of Urban Development Department during the year 2017-18 was ₹ 32.23 crore against the previous year receipt of zero;

(iii) Receipts of Labour and Employment Department during the year 2017-18 increased to ₹ 20.79 crore as compared to previous year receipts of ₹ 8.82 crore.

The Government should analyse the reasons for significant decrease in revenue under 'Public Works' and 'Other Administrative Services' for taking appropriate action.

1.1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 under some principal heads of revenue amounted to ₹ 33,036.82 crore of which ₹ 10,870.14 crore were outstanding for more than five years as depicted in the **Table-1.4:**

Table-1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue		Total Amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Remarks
1.	Taxes on Sales, Trade etc.	DST & CST (DST regime)	7,069.14	7,069.14	Department was requested to provide the stages at which the arrears are pending; no reply has been furnished.
		DVAT & CST (DVAT regime)	25,941.00	3,801.00	
2.	State Excise, Entertainment and Luxury Tax		26.68	0	Licence fee, outstanding demands
Total			**33,036.82**	**10,870.14**	

Source: Department of Trade and Taxes, State Excise, Entertainment and Luxury Tax

Arrears of ₹ 7,069.14 crore pertaining to DST regime and ₹ 3,801.00 crore of DVAT regime could not be recovered for more than five years which indicate that the Department did not take effective steps to recover these arrears. Besides, arrears of VAT increased from ₹ 19,626.00 crore on 31 March 2017 to ₹ 25,941.00 crore on 31 March 2018.

Department should analyse, review and prepare a roadmap and take effective steps to recover these arrears.

1.1.3 Arrears in assessments

The details of units/cases pending at the beginning of the year, units/cases becoming due for assessment, units/cases disposed of during the year and number of units/cases pending for finalisation at the end of the year as furnished by Department of State Excise, Entertainment and Luxury Tax and Department of Trade and Taxes (DTT) are depicted in **Table-1.5:**

Table-1.5: Arrears in assessments

Head of revenue	Opening balance of units/cases	New units/ cases due for assessment during 2017--18	Total assessments due	Units/cases disposed off during 2017-18	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
State Excise, Entertainment and Luxury Tax	2,515	15	2,530	1,632	898	64.50
Taxes on Sales, Trade etc.	0	2,82,919	2,82,919	2,82,919	0	100

Source: Department of Trade and Taxes, State Excise, Entertainment and Luxury Tax

The percentage of disposal of assessment units was 64.50 *per cent* in respect of Department of State Excise, Entertainment and Luxury Tax, whereas no assessment of cases was pending in respect of DTT.

1.1.4 Evasion of tax detected by the Department

During 2017-18, the Enforcement Branch (DTT) detected 187 cases in Search and Seizers and raised a demand of ₹ 2.35 crore, which was also recovered.

1.1.5 Details of pendency of refund cases

The number of refund cases pending at the beginning of the year 2017-18, claims received during the year, refunds allowed during the year and the cases pending at the end of 2017-18 as reported by Departments are depicted in **Table-1.6:**

Table-1.6: Details of pendency of refund cases

(Amount ₹ in crore)

Sl. No.	Particulars	Sales Tax/VAT		Entertainment Tax		Stamp and Registration		Transport	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	83,558	2,647.65	216	8.25	257	11.42	Nil	Nil
2	Claims received during the year	41,835	1,224.52	77	1.01	495	18.71	72	1.64
3	Total claims	1,25,393	3,872.17	293	9.26	752	30.13	72	1.64
4	Refunds made during the year	71,267	1,488.72	73	6.67	231	8.02	72	1.64
5	Percentage of refunds to the total claims	56.83	38.45	24.91	72.03	30.72	26.62	100	100
6	Balance outstanding at the end of year	54,126	2,383.44	220	2.59	521	22.11	Nil	Nil

DVAT Act, 2004 provides for payment of interest at an annual rate notified by the Government, if the excess amount is not refunded to the dealer within 60 days from the date of the order. Not refunding the claims within the stipulated period may attract the payment of interest. However, the interest paid on refunds was not provided by the Departments.

1.1.6 Response of the Government/Departments to Audit

The Principal Accountant General (Audit), Delhi (PAG) conducts periodical inspection of the Government Departments to test check transactions and verify maintenance of accounts and other records as prescribed in the rules and procedures. These inspections are followed up through Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance to the PAG within four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018 is depicted in **Annexure 1.1.1**.

The number of pending paras increased from 2,645 involving an amount of ₹ 1,758.51 crore in 2008-09 to 9,530 involving money value of

₹ 7,135.11 crore at the end of the year 2017-18 which indicates that the Department did not take adequate steps to settle the outstanding paragraphs.

This large pendency of paras due to non-receipt of replies is indicative of the fact that the Heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the Audit in the IRs. Lack of executive action on audit observations weakens accountability and raises the risk of avoidable loss of revenue. The continuous increase in the number of pending audit paragraphs merits the attention of the Government to ensure effective mechanisms to regularly monitor and review the compliance and settlement of audit observations

1.1.6.1 Departmental Audit Committee Meetings

The Government set up Audit Committees to monitor and expedite the progress of settlement of audit paragraphs in the IRs. A meeting was held in June 2017 with the members of Audit Committee constituted by the DTT. In the meeting, the Additional Commissioner was asked to provide replies of outstanding paras for their early settlement. The Additional Commissioner assured to take necessary action in this matter. However, no Audit Committee meeting was held by the Departments of Transport, State Excise and Revenue.

1.1.6.2 Non-production of records to Audit for scrutiny

The programme of local audit of Tax Revenue Offices is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for audit scrutiny.

Primary records of the dealers were available in the DVAT system of the Department, however, in some cases these records were not considered sufficient for any audit conclusion. **Audit requisitioned physical records of 4,921 dealers during the year 2017-18 for intensive scrutiny but the Department provided only records of 1,624 (33 *per cent*) dealers**. Consequently, the revenue involved in these cases could not be ascertained. Department of Entertainment, Excise and Luxury Tax, Revenue and Motor Vehicles provided 100 *per cent* records.

1.1.6.3 Follow up on Audit Reports – summarised position

The Public Accounts Committee (PAC) stipulates that after presentation of the Report of the CAG of India in the Legislative Assembly, Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within four months of tabling the Report, for consideration of the Committee. However, ATNs on the Reports were delayed in respect of 16 paragraphs and two Performance Audits (PAs) included in the Reports of the CAG of India on the Revenue Sector of the GNCTD for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 placed before the State Legislative Assembly between August 2014 and April 2018.

The ATNs from the concerned Departments were received late with an average delay of six months in respect of each of these Audit Reports. ATNs in respect of 15 paragraphs and two PAs from the Departments had not been received in respect of the Audit Reports for the year ended 31 March 2013, 2014, 2015, 2016 and 2017 as depicted in the **Table-1.7:**

Table-1.7: Details of Paragraphs, Performance Audits and the ATNs

Sl. No.	Year of Report ending 31 March	Number of Paragraphs and Performance Audits printed in Report	Number of Paragraphs and Performance Audits for which ATNs were awaited
1	**2013**	2+1 (PA)	2+1 (PA)
2	**2014**	3+0 (PA)	3+0 (PA)
3	**2015**	0+1 (PA)	0+1 (PA)
4	**2016**	4+0 (PA)	4+0 (PA)
5	**2017**	7+0 (PA)	6+0 (PA)
Total		**16+2 (PA)**	**15+2(PA)**

PAC did not discuss paragraphs/PAs pertaining to the Audit Reports (Revenue Sector) for the period 2012-13 to 2016-17.

1.1.7 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Departments and the amount recovered are depicted in **Annexure 1.1.2**.

The reports for the year 2007-08 to 2016-17 contained audit findings involving ₹ 9,294.75 crore, out of which, observations involving money value of ₹ 370.06 crore were accepted by the Departments. **However, only an amount of ₹ 2.03 crore (0.55 *per cent*) was recovered by the Department which was negligible. It was also observed that the recovery in 2017-18 was nil.**

The Department may initiate prompt action to pursue and monitor recovery of dues in the accepted cases.

1.1.8 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of a risk analysis which takes into account matters highlighted in the budget speech, white paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during the past five years.

During the year 2017-18, there were 153 auditable units of which 91 units were planned for audit, whereas, 70 units were audited. Remaining 21 units could not be audited due to engagement of audit parties in settlement of old outstanding paras of Inspection Reports, preparation of guidelines of Thematic Audit and increase in man-days of auditable units.

1.1.9 Results of Audit

1.1.9.1 Position of local audits conducted during the year

Test check of the records of 70 units (VAT-48, MVT-06, Stamp and Registration-12, Excise-02 and Expenditure unit-02) involving tax revenue receipts[2] of ₹ 27,129.71 crore, out of 153 (VAT-115, Stamp and Registration-19, MVT-16, State Excise-03) auditable units of the Department of Trade and Taxes, State Excise, Transport and Revenue conducted during the year 2017-18 revealed under assessment/short levy/loss of revenue and other irregularities involving ₹ 1,701.14 crore in 500 paragraphs as categorised in **Table-1.8:**

Table-1.8: Category-wise Audit observations

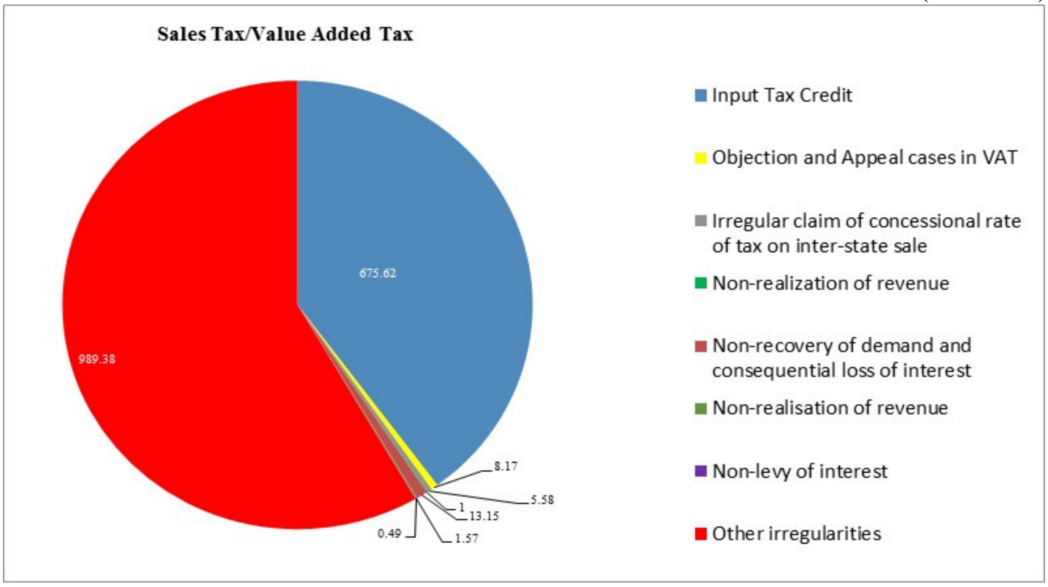
Sl. No.	Categories	No. of paras/ cases	Amount (₹ in crore)
Sales Tax/Value Added Tax			
1	Preparedness for transition to Goods and Services Tax	1	0.00
2	Input Tax Credit	1	675.62
3	Objection and Appeal cases in VAT	1	8.17
4	Irregular claim of concessional rate of tax on inter-state sale	6	5.58
5	Non-realisation of revenue	1	1.00
6	Non-recovery of demand and consequential loss of interest	3	13.15
7	Non-realisation of revenue	1	1.57
8	Non-levy of interest	1	0.49
9	Other irregularities	348	989.38
	Total	**363**	**1,694.96**
Motor Vehicle Tax			
1	Non-application of revised rates	1	0.08
2	Other Irregularities	32	0.00
	Total	33	0.08
Stamp Duty and Registration Fee and State Excise, Entertainment and luxury tax			
1	Non-application of minimum rates for built up flats	4	0.38
2	Instruments wrongly registered as General Power of Attorney (GPA) instead of Conveyance/Sale deed	4	0.18
3	Non-disclosure of transaction with Income Tax Department	4	0.11
4	Application of Residential category instead of Commercial category	2	0.09
5	Other Irregularities	90	5.34
	Total	104	6.10
	Grand Total	**500**	**1,701.14**

Category-wise audit observations noticed under Sales Tax/Value Added Tax are depicted in **Chart- 1.4**:

[2] Includes the amount of tax receipts of audited period.

Chart 1.4

(₹ in crore)



During the year, Audit pointed out instances of short/non-levy of revenue amounting to ₹ 1,701.14 crore, out of which the concerned Departments accepted under assessment and other deficiencies of ₹ 390.39 crore and an amount of ₹ 26.05 lakh has been recovered.

1.1.9.2 Recovery at the instance of audit

The Department of Trade and Taxes recovered an amount of ₹ 26.05 lakh. This amount includes recovery of ₹ 19.49 lakh in respect of three[3] dealers, who matched their additional demand of ₹ 15.08 lakh incorrectly with regular tax paid previously in the 'Reconciliation' module of the system. This indicated lack of monitoring by the Department in cross-checking the amounts reflected in the system as paid by the dealers, with the actual amount received from the banks. Though the Department recovered the full amount of ₹ 19.49 lakh after being pointed out by audit in this case, being a system deficiency, it needs to be addressed by the Department.

1.1.10 Coverage of the Revenue Chapter

This chapter on Revenue Sector contains seven paragraphs involving financial effect of ₹ 705.58 crore. Besides, "Preparedness for transition to Goods and Services Tax" was also covered. The Government has accepted audit observations involving ₹ 390.39 crore. These are discussed in the succeeding paragraphs.

[3] TIN no.07780404145, 07150200355, 07170104820

Department of Trade and Taxes

1.2 Preparedness for transition to Goods and Services Tax

1.2.1 Introduction

Goods and Services Tax (GST) was implemented in Delhi with effect from 1 July 2017. GST[4] is levied on intra-state supply of goods or services *(except alcohol for human consumption and five specified petroleum products[5])* separately but concurrently by the Union (CGST) and the States (SGST)/Union territories (UTGST). Further, Integrated GST (IGST) is being levied on inter-state supplies of goods or services (including imports) and the Parliament has exclusive power to levy IGST. Prior to implementation of GST, VAT was leviable on intra-state sale of goods in the series of sales by successive dealers, as per Delhi Value Added Tax (DVAT) Act, 2004 and Central Sales Tax (CST) on sale of goods in the course of inter-state trade or commerce as per CST Act, 1956. The State Government was empowered to regulate the provisions of DVAT Act, whereas provisions relating to GST are being regulated by Centre and State on the recommendation of Goods and Services Tax Council (GSTC) which was constituted with representation from Centre and all the States to recommend on the matters related to GST.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide IT services. It provides Front-end IT services to taxpayers namely registration, payment of tax and filing of returns. Back-end IT services i.e. registration approval, taxpayer detail viewer, refund processing, MIS reports etc. are also being provided by GSTN to Model-II[6] States. Delhi has opted for Model-II.

1.2.2 Trend of Revenue

GST was implemented in Delhi State from 1 July 2017 and total receipts under GST including non-subsumed/subsumed taxes from July 2017 to March 2018 were ₹ 19,652 crore. Actual receipts under Pre-GST taxes[7] and GST are depicted in **Table-1.2.1:**

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[4] Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST)

[5] Crude, High Speed Diesel, Petrol, Aviation Turbine Fuel and Natural Gas

[6] Model -I States: Only Front-end services provided by GSTN
Model -II States: Both Front-end and Back-end services provided by GSTN

[7] Value Added Tax, Central Sales Tax, Entry Tax, Luxury Tax and Entertainment Tax

Table-1.2.1: Actual Receipts under Pre-GST and GST

(₹ in crore)

Year	Budget Estimate (RE)	Receipt under pre-GST taxes		Receipts under GST	Total receipts under pre-GST taxes and GST	Increase in *per cent*	Compen-sation received	Total receipts	Protected Revenue
		VAT	CST						
2013-14	18,200	16,176.68	1,748.66	-	17,925.71	13.43	--	17,925.71	--
2014-15	19,000	16,305.76	1,983.50	-	18,289.31	2.03	--	18,289.31	--
2015-16	21,000	18,164.46	2,081.17		20,245.82	10.70	--	20,245.82	--
2016-17	22,000	18,891.14	2,253.09	-	21,144.24	4.44	--	21,144.24	--
2017-18 (up to June 2017)	25,700	4,516.62	601.45	-	5,118.07	17.15	--	5,118.07	--
2017-18 (July to March 2018)		5,520.63	510.53	13,620.84[8]	19,652.00		157.00	19,809.00	16,359.36

Source: Data provided by the Department of Trade and Taxes

There was 17.15 *per cent* increase in receipts during the year 2017-18 as compared to the previous year.

1.2.3 Compensation to State

As per Section 5 of the Goods and Services Tax (Compensation to States) Act, 2017, the State Government provided the figures of the revenue for the base year 2015-16 which were audited by this office. The State Government and the Department of Revenue, Government of India have agreed with the figures of revenue amounting to ₹ 16,784 crore for the base year 2015-16 for calculating the compensation to the State from Goods and Services Tax Compensation Fund for shortfall, if any, in the revenue of the State. The projected nominal growth rate of revenue subsumed for the State during the transition period shall be 14 *per cent* per annum and the projected revenue was calculated amounting to ₹ 21,812.49 crore for the financial year 2017-18 by applying the projected growth rate over the base year revenue of the State. The compensation payable would be the difference between the projected revenue and the actual revenue collected by a State. The compensation payable to the State was to be provisionally calculated and released at the end of every two months period. The protected revenue for the period July 2017 to March 2018 was **₹ 16,359.36 crore whereas the Department of Trade and Taxes (Department) received ₹ 16,019.35 crore[9]. The Department intimated that compensation amounting to ₹ 340.01 crore was due to the State against which the State had received compensation amounting to ₹ 326.00 crore (₹ 157.00 crore received till March 2018 and ₹ 169.00 crore received in May 2018).** The Department has taken up the matter of outstanding amount of compensation of ₹ 14.01 crore with

8 SGST - ₹ 7,960.89 crore and IGST - ₹ 5,659.95 crore

9 VAT and CST (excluding petroleum and liquor) - ₹ 2,328.64 crore, Entertainment tax, Luxury tax, Betting tax and Duties of excise on medicinal and toilet preparation - ₹ 69.87 crore, SGST - ₹ 7,960.89 crore, IGST - ₹ 5,659.95 crore (including advance/settlement of IGST of ₹ 735 crore)

the Ministry of Finance, Government of India in the month of November 2018. However, final reply from the Ministry is awaited.

1.2.4 Legal/statutory preparedness

The State Government notified (June 2017) the Delhi Goods and Services Tax Act, 2017 and the Delhi Goods and Services Tax Rules, 2017. E-way bill system was implemented in the State on inter-state transactions with effect from 01 April 2018 and on intra-state transactions with effect from 16 June 2018. Further, necessary notifications were issued by the State Government from time to time for facilitating implementation of GST in the State. The State Government/Department of Trade and Taxes had issued 113 notifications, 30 circulars and 38 orders regarding GST from July 2017 to March 2019.

1.2.5 IT preparedness

GSTN was to provide three Front-end services to the taxpayers namely registration, payment and filing of returns. As Delhi had opted for Model-II for implementation of GST, Back-end applications like registration approval, taxpayer detail viewer, refund processing, MIS reports, etc. for administration of GST were also being developed by GSTN. As per the information provided by the Department, the access for backend application was available to the State through Multi-Protocol Level Switching (MPLS) connectivity at State Data Centre. The State has two MPLS connections of five MBPS each, which has been provided by the GSTN.

The GSTN had recommended minimum configuration of desktops for Model-II States. The Department had assessed requirement of 350 new desktop computers, procured and installed the same for the implementation of GST.

The Department stated that back up of power supply from two UPS and network connectivity from GSTN and network connectivity at the Data Centre to access GSTN Portal by the departmental users have been set up. It was also stated that a dedicated IT team has been deployed to look after the IT related issues.

1.2.6 Capacity Building

Under the overall supervision of National Academy of Customs, Excise and Narcotics (NACEN), Faridabad, training programme for officers (Assistant Value Added Tax Officer, Value Added Tax Officer, Joint/Additional/Special Commissioner) was organised and 443 officials were imparted training on GST before the implementation of GST. Further, IT training on GSTN software in Chennai was attended by the officers working in the Department. Besides, IT training programmes were organised by the Department in its own computer lab for the officers up-to the level of Value Added Tax Officer. The Department had established a GST Facilitation Centre and Help Desk in order to facilitate the dealers for getting registered under GST.

1.2.7 Implementation of GST

Three front-end services namely registration, payment of tax and filing of returns were provided to taxpayers by GSTN. Further, migration facility was also provided to the existing taxpayers to implement the transitional provisions.

Back-end services *viz*. registration approval, taxpayer detail viewer, Letter of Undertaking (LUT) processing, refund processing, management information system (MIS) reports etc. were also provided by GSTN to the Department as a Model-II State. The various aspects of implementation of GST are discussed as under:

1.2.7.1 Registration of taxpayers

Every supplier making a taxable supply of goods or services or both in the State is liable to be registered under the SGST Act if his aggregate turnover in a financial year exceeds ₹ 20 lakh. Every person, registered under any of the Pre-GST laws and having a valid Permanent Account Number (PAN), was issued a certificate of registration on provisional basis and final certificate of registration was granted on completion of prescribed conditions.

(i) Migration of existing taxpayers of Department of Trade and Taxes

As per Rule 8 of Delhi GST Rules, 2017, every person registered under any existing law and having a PAN shall enroll on common portal by validating his e-mail address and mobile number and such person shall be granted registration on a provisional basis. Every person who has been granted a provisional registration shall submit an application along-with the information and documents specified in the application on common portal. A certificate of registration shall be made available to the registered person electronically. As per information provided by the Department, the position of provisional registration and final registration of existing registered dealers in the Department are depicted in **Table-1.2.2:**

Table-1.2.2: Position of Provisional Registration and Final Registration (as on 30 June 2017)

Total No. of existing dealers as on 30 June 2017	Total No. of provisional ID received from GSTN	Complete enrollment done	Total No. of dealers not finally enrolled under GST
4,40,460	4,36,241	3,09,432	1,26,809

Source: Information furnished by Department of Trade and Taxes

Ninety nine *per cent* of the existing dealers received provisional ID from GSTN but only 71 *per cent* of the existing dealers completed the migration process and were finally registered under GST. Remaining 29 *per cent* dealers could not be migrated due to the dealers being non-active, return defaulters for four quarters, having 'Nil' turnover during 2016-17, multiple registration against same PAN, common dealers of VAT, Central Excise and Service Tax.

(ii) Allocation of taxpayers between Centre and State

Migrated taxpayers - As per recommendation of GST Council, 90 *per cent* of migrated taxpayers having turnover up to ₹ 1.5 crore and 50 *per cent* of migrated taxpayers having turnover of more than ₹ 1.5 crore were allotted to the State.

Accordingly, out of 3,92,147 migrated taxpayers (25 October 2017), the State was allotted the jurisdiction of 3,27,432 migrated taxpayers as depicted in **Table-1.2.3:**

Table-1.2.3: Allocation of Taxpayers to the State

	Migrated Taxpayers		
	Turnover above ₹ 1.5 crore	**Turnover below ₹ 1.5 crore**	**Total**
State	31,871	2,95,561	3,27,432
Centre	31,868	32,847	64,715
Total	**63,739**	**3,28,408**	**3,92,147**

Source: Information furnished by Department of Trade and Taxes

1.2.7.2 Filing of returns

As per Rule 59 to 61 of Delhi GST Rules, 2017, taxpayers other than composition taxpayers were required to furnish details of outward supplies of goods or services in Form GSTR-1[10], details of inward supplies of goods or services in Form GSTR-2[11] and a return in Form GSTR-3 (electronically generated by system on the basis of information furnished through GSTR-1 and GSTR-2) on monthly basis, whereas composition taxpayers were required to file a quarterly return GSTR-4.

The prescribed process of return filing was amended to address the difficulties faced by the tax payers in the initial period of the new tax regime. Therefore, filing of GSTR-2 and GSTR-3 was postponed and all taxpayers were mandated to submit a simple monthly return in Form GSTR-3B[12] with payment of tax by 20th of the succeeding month. The details of the taxpayers who have filed their returns (GSTR-3B) during the period from July 2017 to March 2018 are depicted in **Table-1.2.4:**

Table-1.2.4: Month- wise details of Returns filed

Month/Year	Total taxpayers	No. of taxpayers filed returns	No. of taxpayers who had not filed returns	Percentage of taxpayers who filed returns
July 2017	4,44,906	4,36,522	8,384	98
August 2017	4,96,430	4,62,182	34,248	93
September 2017	5,27,237	4,90,812	36,425	93
October 2017	5,43,861	4,12,339	1,31,522	76
November 2017	5,58,273	5,10,426	47,847	91
December 2017	5,71,442	5,17,971	53,471	91
January 2018	5,86,188	5,14,951	71,237	88
February 2018	6,00,477	4,23,156	1,77,321	70
March 2018	6,12,975	4,38,859	1,74,116	72

Source: Information furnished by Department of Trade and Taxes

10 GSTR-1: (a) Invoice wise details of all inter-state and intra-state supplies made to the registered persons and inter-state supplies with invoice value more than ₹ 2.50 lakh made to the unregistered persons, (b) consolidated details of all intra-state supplies made to unregistered persons and State wise inter-state supplies with invoice value upto ₹ 2.50 lakh made to the unregistered persons and (c) debit and credit notes, if any, issued during the month

11 GSTR-2: (a) Invoice wise details of all inter-state and intra-state supplies received from the registered persons or unregistered persons, (b) Import of goods and services made and (c) Debit and credit notes, if any, received from supplier

12 GSTR-3B: A monthly return required to be filed by all taxpayers other than composition taxpayers

Seventy *per cent* to 98 *per cent* of taxpayers have filed their returns during the period from July 2017 to March 2018. Audit is of the view that the Department needs to take concrete steps to ensure pending returns are filed by the taxpayers expeditiously.

1.2.7.3 Payment of tax

Monthly return GSTR-3B and quarterly return GSTR-4 were required to be filed after payment of due tax. Therefore, monitoring of these returns was important to ensure timely deposit of due tax by the taxpayers. Details of the GST collected by the Department during the period from July 2017 to March 2018 are depicted in **Table-1.2.5:**

Table-1.2.5: Details of the GST collected

(₹ in crore)

Month/Year	Net collection of GST (SGST +IGST)
July 2017	0.65
August 2017	1,496.08
September 2017	1,652.04
October 2017	1,821.38
November 2017	1,701.90
December 2017	1,552.57
January 2018	1,708.65
February 2018	2,177.83
March 2018	1,509.74
Total	**13,620.84**

1.2.7.4 Transitional Credit

As per Rule 117 of Delhi GST Rules read with Section 140 of Delhi GST Act, the registered taxpayers were entitled to take credit of amount of Input Tax Credit (ITC) carried forward in the returns filed under the Pre-GST laws. This included un-availed ITC in respect of capital goods not carried forward in the returns. The registered persons were required to file a return in prescribed 'Form TRAN-1'. However, the taxpayers were not allowed to take credit where all the returns required under the Pre-GST law for the period of six months immediately preceding the appointed date were not furnished. **The Department intimated (April 2019) that 49,593 taxpayers had filed the 'Form TRAN-1' and claimed ₹ 8,553.54 crore as Transitional Credit (CGST+SGST). However, the Department has not provided the details of cases (out of 49,593 cases) of transitional credit which have been verified so far.**

During the regular audit of different wards conducted during the period April to June 2019, 118 cases, claiming transitional credits of ₹ 176.84 crore were scrutinised by Audit with VAT returns for the quarter ending 30 June 2017, filed by the respective taxpayers. It was observed that:

i) In four cases, the taxpayers had claimed transitional credit of ₹ 8.85 crore in TRAN -1 under GST Act. However, it was noted that as per their returns filed under DVAT Act, credit of only ₹ 0.16 crore was available.

ii) In five cases, the taxpayers had claimed transitional credit of ₹ 19.44 crore. However, it was observed that there was a mismatch of purchase made by these taxpayers compared to the amount mentioned by the corresponding selling dealers during the VAT regime.

1.2.7.5 Refunds under GST

Refund module under GSTN was not operational, hence the refunds are being allowed through manual system to the applicants. Specific procedures were prescribed for refund of the balance amount in the electronic cash ledger or unutilised input tax credit at the end of particular tax period. Refund of unutilised input tax credit was allowed in case of zero-rated supplies made without payment of tax or when the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. As per information provided by the Department position of refunds was as under:

Table-1.2.6: Refunds under GST regime

Refund applications received upto 31 March 2018		Refund allowed (as on 31 March 2018)	
Number of taxpayers	Amount of Refund claimed (₹ in crore)	Number of taxpayers	Amount paid (₹ in crore)
18,627	470.95	Not provided	3.76

Source: Information furnished by Department of Trade and Taxes

As the filing of GSTR-2 (return for inward supply of goods or services or both for a particular tax period) is still postponed (till further orders), match/mismatch report of ITC could not be generated from the IT system. **The assessee is not uploading the purchase invoices and only providing the details of purchase and sale. In the absence of purchase invoices, department is unable to cross verify the ITC claimed. Therefore, the risk of wrong claim of ITC by the purchasing dealers could not be ruled out.**

1.2.8 Legacy issues

The status of legacy issues related to assessment, recovery of arrears and other related matters as intimated by the Department are as follows:-

1.2.8.1 Assessment of dealers

The Department conducts assessment of the dealers who were registered under DVAT Act and CST Act in Delhi. On the basis of assessment, demands are raised against the dealers. The demand amount includes Tax, interest and penalty which are levied under different sections of relevant Acts. During the period 2017-18, the Department had assessed 81,041 dealers under DVAT Act and CST Act and additional demand of ₹ 10,464.00 crore was raised.

1.2.8.2 Recovery of arrears

The total amount of arrears of revenue as on 31 March 2017 was ₹ 26,695.14 crore. During the period April 2017 to March 2018, the Department had raised demands of ₹ 10,464.00 crore and recovered ₹ 4,149.00 crore. The total arrears outstanding on 31 March 2018 was ₹ 33,010.14 crore.

1.2.8.3 Refunds of Pre-GST period

The position of refunds claimed by the dealers and allowed during the year 2017-18 under DVAT Act is depicted in **Table-1.2.7:**

Table-1.2.7: Refunds of Pre-GST

Dealers who claimed refund for the period upto 30 June 2017		Refund sanctioned	
Number of dealers	**Amount (₹ in crore)**	**Number of dealers**	**Amount (₹ in crore)**
1,25,393	3,872.17	71,267	1,488.72

Source: Information furnished by Department of Trade and Taxes

1.2.9. Conclusion

The Department/Government was prompt in its preparedness for implementation of GST as can be seen with reference to enactment of the relevant Act and Rules. It took necessary steps in capacity building and putting requisite IT infrastructure in place for implementing GST. The Department should put in place a proper system to verify transitional credits claimed by the taxpayers who have been transferred from the jurisdiction of the Central Government (Central Excise, Service tax). Further, the Department needs to take pro-active steps to resolve legacy issues like completing assessment under DVAT Act and CST Act, recovery of pending demand amount to reduce arrears of revenue and payment of refund, wherever due, expeditiously in a time-bound manner.

1.3 Input Tax Credit

1.3.1 Introduction

The Department of Trade and Taxes (DTT), GNCTD is entrusted with implementing the Delhi Value Added Tax (DVAT) Act, 2004 and Rules made thereunder.

Input Tax Credit (ITC) shall be allowed to registered dealers in respect of purchase of any taxable goods made within the State from a registered dealer to the extent and in such manner as may be prescribed for the purpose. DVAT Act provides for submission of a return for each tax period by the registered dealers for claiming the ITC. Along with the return, the registered dealers have to submit purchase and sale summary in Annexures 2A and 2B and the tax paid thereon. The DTT directed Assessing Authorities (AAs) in March 2016 that if there is any mismatch report, in the purchase and sale Annexures that would be shown to the dealer immediately after filing of return and assessments framed if mismatch is not rectified by the dealer. Further, DTT also directed its Ward Officers in July 2010, to conduct 100 *per cent* scrutiny of returns of dealers whose Gross Turn Over was more than ₹ five crore.

Section 28 of the Act provides that if a person discovers a discrepancy in its return for a tax period, he shall remove such discrepancy and furnish a revised return within the year following the year of such tax period. Section 34 of the DVAT Act provides for the limitation period of four years for the assessment or re-assessment.

The year-wise amount of ITC claimed in the last three years is given below:

(₹ in crore)

Year	Total no. of live dealers	Revenue Collected	No. of dealers who claimed ITC	Amount of ITC claimed
2014-15	1,82,927	17,657.35	10,482	908.12
2015-16	1,89,650	19,526.31	8,128	906.89
2016-17	1,95,079	20,889.25	9,214	1,156.18

Source: Department of Trade and Taxes

The main objective of audit was to examine whether the ITC was allowed correctly. Audit test checked the cases where ITC was claimed by the dealers during 2014-15 to 2016-17. We analysed data of selected cases available in the DVAT System. This audit was conducted between April and November 2018 and replies of the DTT wherever received (July 2019) have been suitably incorporated.

1.3.2 Scope of audit and sample selection criteria

In 277 cases relating to the assessment years 2014-15 to 2016-17, although part assessment was made by the Assessing Authority yet default assessment of dealers for entire year under section 32 was not completed. All selected cases were within the limitation period of four years, so the Department had still time to make the assessment. However, in all these cases period of one year allowed under Section 28 for revising the return has already been elapsed. Audit focused on the following two areas and criteria for sample selection of these areas is given below:

a) Incorrect carry forward of ITC: As per the database of the Department, during the assessment years 2014-15 to 2016-17, there were 11,067 cases where there was a difference in ITC carried forward from the previous tax period. Out of these 11,067 cases, there were 133 cases where the difference in ITC carried forward from the previous tax period was more than ₹ two lakh. Audit selected all these 133 cases (1.2 *per cent*) for detailed scrutiny.

b) Irregular claim of ITC: As per the database of the Department, during the assessment years 2014-15 to 2016-17, there were 24,462 cases, where the local purchases of the assessees in a tax period from a person was equal to or more than ₹ five crore. Out of these 24,462 cases, in 911 cases there was mismatch in purchases disclosed by the purchasing dealers and that of the sale disclosed by the corresponding selling dealers. Audit selected all these 911 cases (3.7 *per cent*) for detailed scrutiny. Besides, similar audit findings pointed out during local audit in nine cases have also been included.

Audit findings

1.3.3 Incorrect carry forward of Input Tax Credit

DVAT Act, 2004 stipulates that an amount paid by a person in excess of the amount due from him can be carried forward to the next tax period as a tax credit at the option of the person. Besides, section 86(10) of the DVAT Act stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay by way of penalty a sum of ten thousand rupees or the amount of tax deficiency, whichever is greater. Interest shall also be liable for any default in making the payment of any amount.

Scrutiny of 133 cases relating to 2014-15 to 2016-17 (where the difference of ITC carried forward from the previous tax period was more than ₹ two lakh) in the DVAT system revealed that in **130 cases, dealers carried forward ITC of ₹ 42.13 crore in their return, although ITC of ₹ 21.10 crore only was available to be carried forward from the previous tax period**. This resulted in excess carried forward of ITC of ₹ 21.03 crore.

The Government confirmed (August 2018/January 2019) the excess carry forward of ITC of ₹ 15.91 crore in 77 cases. It was also replied that in three cases, **excess carry forward of ₹ 6.56 lakh has been recovered/adjusted** against the refund and in remaining 74 cases, demand of ₹ 15.84 crore along with penalty and interest has been raised. Reply in respect of other 53 cases was awaited (July 2019).

1.3.4 Irregular claim of Input Tax Credit

Scrutiny of data (where the local purchase of the assessee in a tax period from a person was equal to or more than ₹ five crore) relating to the period 2014-15 to

2016-17 revealed that in 911 cases out of 24,462 cases, there was mismatch in purchases disclosed by the purchasing dealers and that of the sale disclosed by the corresponding selling dealers. Further, scrutiny of these 911 cases and nine cases pertaining to the period 2011-12 revealed the following:

(i) ITC claimed against purchases made from un-registered dealers

DVAT Act, 2004 stipulates that no tax credit shall be allowed to assessee for goods purchased from a person who is not a registered dealer.

In 37 cases pertaining to the period 2014-15 to 2016-17, the purchasing dealers had claimed ITC of ₹ 18.82 crore on local purchases of ₹ 327.75 crore. However, on cross verification, from the dealer's profile, it was found that the selling dealers were not registered with the DTT in the related tax period.

The Government confirmed (August 2018/January 2019) the irregular claim of ITC of ₹ 15.26 crore in 31 cases and also stated that demand of equivalent amount along with penalty and interest has been raised. Reply in respect of other six cases was awaited (July 2019).

(ii) ITC claimed against purchases from dealers registered under the Composition Scheme

Under the Composition Scheme, a dealer has to pay a fixed percentage of its turnover as tax and be relieved from the detailed compliance of the provisions of law and no tax credit shall be allowed for goods purchased from a dealer who has elected to pay tax under Composition Scheme.

In four cases pertaining to the year 2014-15, the purchasing dealers had claimed ITC of ₹ 3.28 crore on local purchases of ₹ 46.62 crore, though on cross verification from the dealers profile, it was found that the selling dealers were registered under the Composition Scheme. This resulted in irregular claim of ITC of ₹ 3.28 crore.

The Government confirmed (September 2018) the irregular claim of ITC of ₹ 2.24 crore in two cases and also stated that demand of equivalent amount along with penalty and interest has been raised. Reply in respect of other two cases was awaited (July 2019).

(iii) ITC claimed against mis-match of purchases and sales

DVAT Act stipulates that no tax credit shall be allowed to the dealers or class of dealers unless the tax paid by the purchasing dealer has actually been deposited by the selling dealer with the Government. In this regard, the following observations were made:-

a) Excess claim of ITC by inflating purchases

In 47 cases pertaining to the period 2014-15 to 2016-17, the purchasing dealers disclosed local purchases of ₹ 871.66 crore in their quarterly returns, whereas the selling dealers had shown sale of ₹ 570.69 crore only to those purchasing dealers. Thus, the purchasing dealers had shown inflated purchases by ₹ 300.98 crore involving excess claim of ITC of ₹ 16.40 crore.

The Government confirmed (August 2018/January 2019) the irregular claim of ITC of ₹ 6.99 crore in 29 cases and also stated that the demand of equivalent amount along with penalty and interest has been raised. Reply in respect of remaining 18 cases was awaited (July 2019).

(b) ITC claimed against purchases from dealers who had not shown any corresponding sale

In 240 cases for the period between 2011-12 and 2016-17, the purchasing dealers had claimed ITC of ₹ 186.97 crore on local purchases of ₹ 3,076.28 crore. However, on cross verification from their Returns and Sales Summary (Annexure-2B) it was found that the selling dealers had not made any sale to the concerned purchasing dealers for the respective tax periods.

The Government confirmed (between April 2018 and January 2019) irregular claim of ITC of ₹ 124.21 crore in 166 cases and also stated that demand of equivalent amount along with penalty and interest has been raised and in three cases, it was stated (December 2018) that no records (Annexure-2A) exist in DVAT portal. Reply was not tenable as the audit raised objection of mismatch amount on the basis of Annexure- 2A details which was available in the DVAT portal. Reply in respect of remaining 71 cases was awaited (July 2019).

(c) ITC claimed against purchases from dealers who had not filed any return

In 444 cases pertaining to the period 2014-15 to 2016-17, it was found that the purchasing dealers had claimed ITC of ₹ 429.11 crore on local purchases of ₹ 5,945.47 crore. However, on cross verification from dealer's profile, it was found that the selling dealers had not filed any return for the respective tax periods.

The Government confirmed (August 2018/January 2019) the irregular claim of ITC of ₹ 205.97 crore in 294 cases and also stated that demand of equivalent amount along with penalty and interest has been raised. Reply in respect of other 150 cases was awaited (July 2019).

1.3.5 Conclusion

Excess ITC was carried forward from the previous tax period in violation of the provision of the DVAT Act. Failure of the Assessing Authorities to make assessments in case of mismatch of purchase and sale annexure which was available in the DVAT system resulted into irregular claim of ITC. ITC was claimed in the cases of purchases made from unregistered dealers and dealers registered under composition scheme. Excess ITC was claimed by showing inflated purchases. ITC was claimed on purchases from those dealers who had not shown any corresponding sales and from those dealers who had not filed any return.

1.4 Objection and Appeal cases in VAT

1.4.1 Introduction

The Department of Trade and Taxes (Department) is responsible for the levy, assessment and collection of Value Added Tax (VAT) and Central Sales Tax (CST) in NCT of Delhi under Delhi Value Added Tax (DVAT) Act, 2004 and CST Act, 1956 and Rules made thereunder. DVAT Act *inter-alia* provides that any person who is dissatisfied with (a) an assessment made under this Act (including an assessment made under section 33 of this Act); or (b) any order or decision made under this Act, may make an objection against such assessment, or order or decision, as the case may be, to the Commissioner, within two months of the date of service of the assessment, or order or decision, as the case may be. Section 76 of DVAT Act *inter-alia* provides that any person, who is aggrieved by a decision made by the Commissioner, may file an appeal to the Appellate Tribunal against such decision within two months from the date of service of the decision. Audit of Objection and Appeal cases in VAT for the period 2014-2017 was conducted during April to August 2018 to examine (i) whether the statutory provisions were complied with; (ii) disposal of objection/appeal cases was done within a reasonable time period; and (iii) internal system of monitoring of such cases was adequate.

The year-wise detail of number of objection cases filed and disposed of is given in **Table 1.4.1:**

Table 1.4.1: Objection cases filed and disposed

Year	Opening Balance (No. of cases)	Addition of cases	Disposal of cases	Closing Balance (No. of cases)	Pending Amount (₹ in crore)
2014-15	20,689	28,189	17,152	31,726	4,944.10
2015-16	31,726	22,084	18,020	35,790	5,517.91
2016-17	35,790	20,605	16,275	40,120	10,193.56

Source: Department of Trade and Taxes

The year-wise detail of number of appeal cases filed and disposed of is given in **Table 1.4.2:**

Table 1.4.2: Appeal cases filed and disposed

Year	Opening Balance (No. of cases)	Addition of cases	Disposal of cases	Closing Balance (No. of cases)
2014-15	4,335	695	2,335	2,695
2015-16	2,695	1,267	851	3,111
2016-17	3,111	384	1,125	2,370

Source: Appellate Tribunal

For this purpose, out of 12 Zones of the Department, two Zones (Zone- 3 and 9) were selected on random sampling basis and one Zone (Zone-11) was selected being the highest tax paying Zone. As per the data of these three Zones, there were 6,545 decided objection cases. All 207 decided objection cases having individual demand of ₹ five lakh and above were selected for audit scrutiny.

Further, out of remaining 6,338 decided cases having demand of less than ₹ five lakh, 100 cases were also randomly selected.

In addition, out of total 4,514 undecided cases having individual demand amount of ₹ five lakh and above, 1,301 undecided cases (609 cases having demand of ₹ five lakh to ₹ 15 lakh and 692 cases having demand above ₹ 15 lakh) were randomly selected.

Further, in case of decided appeal cases, three months (March 2015, September 2015 and February 2017) were randomly selected. In these three months, all 239 decided appeal cases were selected while nine appeal cases decided during the year 2016-17 having demand of more than ₹ 25 lakh were also scrutinised.

The para 2.3 on 'Objection and Appeal cases' was printed in the CAG's Audit Report for the year ended March 2013 which highlighted the deficiencies in the Department. The Action Taken Note on the para has not been received as of July 2019.

Audit findings

1.4.2 Irregular remand back of objection cases

DVAT Act-2004 provides that Objection Hearing Authority (OHA) within three months after the receipt of the objection, shall either accept or refuse the objection; and in either case, serve on the person objecting, a notice in writing of the decision and the reasons for it, including a statement of the evidence on which it is based. Further, as per **DVAT, Tribunal decision (30 September 2010) in case of Shree Cement Ltd. vs. Commissioner of Trade and Taxes, the DVAT Act does not include power of remanding back of cases to the AAs.**

Audit selected 307 decided objection cases pertaining to three selected Zones which were decided by the OHAs between April 2014 and March 2017. Scrutiny of the data and details of these decided objection cases available in the DVAT system along-with case files received in audit revealed that in contravention to the above provisions, 101 objection cases involving disputed amount of ₹ 95.88 crore were remanded back by the OHAs to the AAs of the respective wards for re-assessment/re-examination of the case.

The Government stated (October 2018) that though in the scheme of legislation 'remand back of objection cases' has not been specifically prescribed, however, the term 'Decision' is a comprehensive term and it includes an ambit not only for accepting/rejecting the objection but also provides a scope for another opportunity of examination of records, etc. by the Value Added Tax Officer (VATO) in the interest of justice. It also stated that in some cases, the magnitude of transactions is quite enormous and time consuming and it is not always possible for the OHAs to go into the detailed examination of each and every transaction which happens to be the subject matter of the objection filed. In such scenario, the decision of the OHAs to 'remand back' the case for further examination and providing due opportunity to the objector is in agreement with the principle of natural justice. This practice of remanding back the cases to AAs has contributed to further delay in finalising the cases.

101 objection cases involving disputed amount of ₹95.88 crore were remanded back by the OHAs to the AAs of the respective wards for re-assessment/re-examination of the case, even though there was no such provision in the Act.

The Department may issue suitable directions to the OHAs to finalise the objection cases at their level on the basis of merits and examination of documents furnished by the dealers or else consider review of the provisions of DVAT Act regarding remanding back of the objection cases.

1.4.3 Improper handling of remand back objection cases

Para 2.3.1 on 'Poor handling of remanded cases' was printed in CAG's Audit Report for the year ended 31 March 2013. The para highlighted the issue of non-assessment of majority of remanded objection cases by the AAs and weak monitoring and inefficient internal control mechanism in the Department to watch the timely disposal of remanded back objection cases. The Department while accepting the audit observation stated (January 2014) that the officers of the Department have been sensitised and instructed to clear the remanded back cases in a time bound manner. However, after a lapse of more than four years, Audit noted that similar deficiencies still persist in the Department as discussed below:

(a) Out of the 101 remanded back cases, during the year 2014-15, 2015-16 and 2016-17, re-assessment in 51 cases, involving demand of ₹ 27.65 crore had not been conducted by the AAs concerned till March 2018.

Therefore, these cases remained un-assessed for a period of one to three years even after they were remanded back to the AAs by the OHAs.

(b) Further, in six cases out of the remaining 50 cases, though re-assessment orders were issued by the AAs, demand of ₹ 10.97 lakh had not been deposited by the dealers till March 2018. The period of non-payment of demand ranged between 15 and 38 months.

It indicates that the cases remanded back were not followed up timely by the AAs for conducting their immediate re-assessment, raising demand so as to recover government revenue. It also indicates weak monitoring of such cases by the higher authorities.

The matter was reported to the Government in September 2018, their reply was awaited (July 2019).

1.4.4 Delay in service of assessment order to the dealers

DVAT Rules, 2005 provides that where the Commissioner makes a default assessment of tax, he shall record the order in Form DVAT-24 and such notice of assessment shall be served on the dealer as prescribed in Rule 62 of DVAT Rules.

Audit selected 307 decided objection cases of Zone-3, 9 and 11 which were decided by the OHAs during April 2014 to March 2017. Scrutiny of the details of these cases in the DVAT system revealed that in 205 cases, the Department took between one to 953 days in serving the assessment order to the dealers. It was noted that out of 205 cases, in 153 cases involving disputed amount of ₹ 25.53 crore, the delay was more than 30 days. The delay in serving assessment orders by the AAs resulted in subsequent delay in filing of objection by the dealers to OHAs, as the two months time period to file an objection is to be calculated from the date of service of assessment order.

The Government replied (July/August 2018) that in respect of 42 cases, as per the circular dated 17 January 2014, the e-service of notice is deemed to be a service of documents. The reply is not acceptable because if the e-service of notice date is taken as date of service of assessment order, then these cases should have been rejected by the OHAs on account of being time-barred as two months time to file the objection had already lapsed. However, all these objection cases were accepted and subsequently decided by the OHAs. This implied that the date of service of assessment order mentioned by the dealers in their objections had been accepted by the OHAs and the date of e-service of assessment order was not taken into consideration. The reply in remaining 163 cases was awaited (July 2019).

Delayed serving of assessment order resulted in blockade of revenue.

The Department may consider issuing of appropriate directions to the AAs regarding serving of assessment orders by registered post or otherwise to resolve the issue of delays as claimed by the dealers.

1.4.5 Undue delay in filing of objection cases by the dealers

DVAT Act, 2004 *inter-alia* provides that any person who is dissatisfied with an assessment made under this Act may make an objection against such assessment or order or decision to the Commissioner. The objection shall be made within two months of the date of service of the assessment order or decision. It also provided that where the Commissioner is satisfied that the person was prevented for sufficient cause from lodging the objection within the time specified; he may accept the objection within a further period of two months.

Scrutiny of the details of 307 decided objection cases available in the DVAT system revealed that in 66 cases valuing ₹ 6.79 crore, the objections were filed beyond the stipulated time of 60 days. The delay ranged between one and 544 days. In 48 cases, the delay was more than 100 days. In 53 out of 66 cases, Audit could not verify whether the delay of more than 60 days was duly condoned by the OHAs.

It would be pertinent to mention here that such delays had a cascading effect on the finalisation of the objection cases by the OHAs, their final assessment order and recovery of demand amount.

The Government stated (October 2018) that, an objection which is filed after the prescribed time limit, a statement (in DVAT Form-39) shall accompany the objection showing therein the reasons of delay. The above provision authorises the OHA to allow the objection after deciding the acceptance of reasons of such delay. The reply is not tenable in the above cases as there were no instances of condonation of delay by the OHAs found in all the seven cases files, which were produced to Audit.

The Department may consider issuing appropriate directions to the OHAs to record reasons for condonation of delay in the cases files while disposing of the objections by the dealers.

1.4.6 Delay in finalisation of objection cases

DVAT Act, 2004 *inter-alia* stipulates that within three months after the receipt of the objection, the Commissioner shall either accept the objection in whole or in part or refuse it. Provided that where the Commissioner within three months of making the objection notifies the person in writing, he may continue to consider the objection for a further period of two months. The person may, in writing, request the Commissioner to delay considering the objection upto three months for the proper preparation of its position.

Audit noted that in the 1,301 objection cases selected involving demand of ₹ 1,733.94 crore (692 cases above ₹ 15 lakh and 609 cases between ₹ five lakh to ₹ 15 lakh), the final decision had not been taken by the OHAs till 31 March 2018. The period of delay ranged between one and three years. The year-wise details of undecided cases are given in **Table 1.4.3:**

Table 1.4.3: Details of undecided objection cases

Year in which objection filed	No. of cases	Demand amount (₹ in crore)	Period of delay
2014-15	294	825.28	3 years
2015-16	429	638.58	2 years
2016-17	578	270.08	1 year
Total	**1,301**	**1,733.94**	

Source: Database of Department of Trade and Taxes

These long delays in deciding objection cases have an adverse effect on the realisation of Government revenue.

The Department may consider taking appropriate steps to finalise the objection cases filed by the dealers, in a time-bound manner, to minimise pendency of such cases.

1.4.7 Inadequate follow up on cases where demand amount was upheld by the OHAs

Scrutiny of 307 decided objection cases revealed that in 42 cases involving initial demand of ₹ 11.40 crore, the decisions taken by the OHAs resulted in the demand being reduced to ₹ 7.12 crore. However, in 18 out of 42 cases revised demand of ₹ 6.61 crore had not been recovered from the defaulting dealers indicating a weak internal control mechanism in the Department to monitor recovery, as per the decisions of the OHAs. The year-wise details of unrecovered demand in 18 cases which were decided by OHAs are given in **Table 1.4.4:**

Table 1.4.4: Year-wise details of unrecovered demand

Sl. No.	Year of decision of the OHA	Number of cases
1	**2014-15**	04
2	**2015-16**	10
3	**2016-17**	04

1.4.8 Loss of revenue due to delay in conducting assessment

DVAT Act stipulates that no assessment or re-assessment shall be made by the Commissioner after the expiry of four years from the date on which the person furnished a return. Provided that where the Commissioner has reason to believe that tax was not paid by reason of concealment, omission or failure to disclose fully matter particulars on the part of the person, the said period shall stand extended to six years.

Scrutiny of appeal cases decided by the Appellate Tribunal revealed that in two cases[13], the Department conducted assessment in December 2012 (for the first quarter of 2008-09) and October 2013 (for the year 2006-07), after the stipulated period of four years and raised demand of ₹ 32.84 lakh. The OHAs also decided the cases in favour of the Department. However, the Appellate Tribunal had set aside the orders of OHAs and stated that these cases do not fall under the category of cases which can be assessed after four years due to non-fulfilment of the conditions mentioned in the DVAT Act.

Delayed assessment by the AAs resulted in loss of ₹ 32.84 lakh as the Appellate Authority set aside the orders.

Thus, had the AAs assessed these cases within the stipulated period of four years and raised demand, the loss of revenue of ₹ 32.84 lakh to the Government could have been avoided.

1.4.9 Non-recovery in appeal cases decided in favour of the Department

Records of Appellate Tribunal revealed that in 10 cases involving ₹ 1.33 crore, the Tribunal had decided in favour of the Department but only ₹ 20.73 lakh were recovered from two dealers. This indicates a weak monitoring system in the Department to implement the orders of the Appellate Tribunal effectively to recover Government dues.

The matter was reported to the Government in September 2018, their reply was awaited (July 2019).

The Department may put in place an effective monitoring system to ensure that recovery is made timely in respect of appeal cases decided by the Appellate Tribunal.

[13] TIN- 07970082437, Ward-92, Amount- ₹ 29,36,721, for the first quarter of 2008-09 and TIN-07810294276, Ward-96, Amount- ₹ 3,47,622, 2006-07.

1.4.10 Weak internal control mechanism

Internal controls are safeguards that are put in place by the management of an organisation to provide assurance that its operations are proceeding as planned and objectives are being achieved. It was, however, observed that the internal control and monitoring system in Department was weak as evident from deficiencies such as there being inadequate follow-up action in respect of remand back objection cases, delays in serving assessment orders to dealers, which subsequently resulted in further delay in filing objections by the aggrieved dealers, and assessments done by the AAs beyond the stipulated time period of four years. Moreover, there was no proper system to watch the recovery of government dues in respect of cases decided in favour of the Department by the OHAs and the Appellate Tribunal.

1.4.11 Conclusion

The number of cases pending for disposal increased from 20,689 in April 2014 to 40,120 in March 2017. This shows that disposal of cases by OHAs was slow. Objection cases were remanded back to AAs by the OHAs even though there is no such provision in the DVAT Act. There was lack of monitoring system of remanded back cases, as either re-assessment was not done by the AAs or re-assessed demands remained unrecovered. There were many cases of long delay in filing of objection by the dealers, for which the justification for acceptance and condonation of those delays were not recorded. 1,301 cases where the demand was more than ₹ five lakh, filed during 2014-15 to 2016-17 were pending for disposal upto March 2018. Objection and appeal cases decided by the OHAs and the Appellate Tribunal in favour of the Department had not been followed up by the competent authorities thereby resulting in non-recovery of Government revenue.

The observations pointed out in this report are on sample basis. Hence, the Department may consider looking into such issues on similar lines as pointed out in the report and take appropriate action for the realisation of Government revenues, wherever due.

1.5 Irregular claim of concessional rate of tax on inter-state sale

Failure of the assessing officers to ensure eligibility of assessees for concessional tax resulted in short levy of tax of ₹ 2.19 crore. In addition, interest of ₹ 1.20 crore and penalty of ₹ 2.19 crore were also leviable.

Central Sale Tax (CST) Act, 1956 provides that every dealer, who in the course of inter-state trade or commerce, sells to a registered dealer, shall be liable to pay tax under this Act, which shall be two *per cent* of his turnover or at the rate applicable to the sale or purchase of such goods inside the appropriate State under the sales tax law of the State, whichever is lower. Further, DVAT Act, 2004 stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay, by way of penalty, a sum of ten thousand rupees or the amount of tax deficiency, whichever is higher. Interest shall also be payable for any default in making the payment of any amount.

Scrutiny of records of six Wards[14] (between June 2017 and May 2018) revealed that 14 assessees[15] who had filed online sales summary in Form 2B for the assessment years 2013-14 and 2014-15 (assessed during 2014-15 and 2015-16), made inter-state sale of ₹ 47.79 crore and paid concessional rate of tax of two *per cent* on such sales. Online data of Commercial Tax Department, Government of Rajasthan and Tax Information Exchange System (TINXSYS) showed that the registrations of the purchasing dealers were already cancelled before the transactions took place with the assessees. Hence, the concessional rate of tax claimed by the assessees was irregular and normal tax of 5 and 12.5 *per cent* was applicable in these cases. **Thus, failure of the AAs to ensure eligibility of assessees for the concessional tax resulted in short levy of tax of ₹ 2.19 crore. In addition, interest of ₹ 1.20 crore and penalty of ₹ 2.19 crore were also leviable.**

The Government stated (during April to December 2018) that remedial action had been taken wherever appropriate and an additional demand of ₹ 3.62 crore has been raised. However, the replies in respect of ward 62 and 207 were awaited from the Government (July 2019).

[14] Ward No: 5, 27, 38, 62, 201 and 207

[15] TIN No: 07620282304, 07510292307, 07720232876, 07290241600, 07270164884, 07750220977, 07860275285, 07330348666, 07490148952, 07590206515, 07220336941, 07500264425, 07720330943 and 07890176668

1.6 Non-realisation of revenue

Mis-classification of taxable sale of ₹ 4.94 crore as exempted sale in DVAT-16 return resulted in non-realisation of tax of ₹ 61.74 lakh. In addition, interest of ₹ 38.09 lakh was also leviable.

Delhi Value Added Tax (DVAT) Act, 2004 stipulates that every dealer shall be liable to pay tax at the rates specified in this Act on every sale of goods effected by him. Further, DVAT Act provides that when a person is in default in making the payment of any tax, penalty or other amount due under this Act, he shall, in addition to the amount assessed, be liable to pay simple interest on such amount at the annual rate notified by the Government from time to time, computed on a daily basis, from the date of such default for so long as he continues to make default in the payment of the said amount.

Scrutiny of records of Ward-1 revealed that an assessee[16] filed its quarterly returns (DVAT-16) for the assessment year 2013-14 and the same was assessed in June 2015. The assessee disclosed turnover of ₹ 4.94 crore as exempted sale in his return for the fourth quarter of assessment year 2013-14. However, the assessee filed an affidavit in June 2017 and declared that goods taxable at the rate of 12.5 *per cent* were wrongly shown as exempted sale in his return for the fourth quarter of assessment year 2013-14. Tax of ₹ 61.74 lakh (@12.5 *per cent* on sale of ₹ 4.94 crore) was required to be levied but the Department had not taken any action on the affidavit. This resulted in non-realisation of tax of ₹ 61.74 lakh. In addition, interest of ₹ 38.09 lakh was also leviable.

On this being pointed out (November 2017), the Government replied (May 2018) that remedial action has been taken and demand of ₹ 98.76 lakh has been raised (27 March 2018) against the assessee. However, the assessee filed an objection (June 2018) against the additional demand before the OHA. The OHA remanded back (August 2018) this case to the AA for re-assessment, which was still pending (July 2019).

1.7 Non-recovery of demand and consequential loss of interest

The Department failed to recover demand of ₹ 13.15 crore from assessees whose registrations had been cancelled.

Delhi Value Added Tax (DVAT) Act, 2004 provide that an amount of additional tax and penalty assessed is due and payable within the date stipulated in the assessment order served by the Commissioner. Any amount of tax, interest or penalty, composition money or other amount due under this act which remains unpaid even after the due date shall be recoverable under the DVAT Act. Further, DVAT Act stipulates that the cancellation of registration shall not affect the liability of any person to pay tax due for any period and unpaid as on the date of such cancellation or which is assessed thereafter notwithstanding that he is not

[16] TIN No.07510022162

otherwise liable to pay tax under this Act. Interest shall also be leviable under the DVAT Act for default in making the payment of any amount.

Scrutiny of records of three Wards[17] for the years 2010-11, 2011-12 and 2013-14 revealed that the assessment of 12 assessees[18] was completed between March 2015 and March 2016 raising a demand of ₹ 10.86 crore (tax ₹ 6.06 crore; interest ₹ 3.14 crore and penalty ₹ 1.66 crore) though their registrations had already been cancelled between December 2010 and September 2015 by the department. The assessees were directed to deposit the demand within a stipulated time period mentioned in the assessment notice. In case, the demand was not deposited within the prescribed time period, the department had to start further proceedings for recovery by issuing recovery certificates. **However, audit noticed that the Department had not taken any action for realising the demand against the assessees.**

On this being pointed out, the Department issued the recovery certificates/writ of demand after a lapse of 25 months to 38 months from the date of issue of the assessment notices. This resulted in non-realisation of revenue amounting to ₹ 13.15 crore i.e. tax ₹ 6.06 crore; interest ₹ 5.43 crore (calculated upto 31 May 2018) and penalty ₹ 1.66 crore.

The Government stated (during May/July 2018) that the recovery certificates/writs of demand have been issued to the assessees and process of recovery of demand is going on.

1.8 Non-realisation of revenue due to mis-classification of goods

Mis-classification of taxable sale of ₹ 4.73 crore as exempted sale in DVAT-16 return resulted in non-realisation of tax of ₹ 59.12 lakh. In addition, interest of ₹ 39.20 lakh and penalty of ₹ 59.12 lakh were also leviable.

DVAT Act, 2004 stipulates that every dealer shall be liable to pay tax at the rates specified in schedules this Act on every sale of goods effected by him. All the goods that are not covered under these schedules will be treated as unspecified items and hence will attract tax at the rate of 12.50 *per cent* under Section 4(e) of the Act. The sale of goods listed in the first schedule shall be exempted from the tax. Further, DVAT Act stipulates that any person who furnishes a return under this Act which is false, misleading or deceptive in a material particular shall be liable to pay by way of penalty a sum of ten thousand rupees or the amount of tax deficiency, whichever is greater. Interest shall also be leviable for default in making the payment of any amount.

Scrutiny of records of Ward 5 revealed that two assessees[19] filed quarterly returns with the Department of Trade and Taxes for the assessment year 2013-14 which were assessed in September 2014. The assessees disclosed description of

[17] Ward No. 7, 62 and 84.
[18] TIN No. 07510299000, 07930343292, 07200323954, 07220372928, 07240360113, 07950335036, 07760450328, 07520256848, 07060368845, 07410391108, 07590331742 and 07810426584.
[19] TIN No. 07030442436 and 07730442439

goods as Rexine (100 *per cent* of sales volume) and showed their turnover of ₹ 4.73 crore as exempted sale (Local and Inter State Sales) in their quarterly returns. **However, the traded item (Rexine) was not in the list of goods specified in Schedule I- Exempted Goods but listed as unspecified goods taxable at the rate of 12.5 *per cent*. Thus, the AA failed to ascertain the correct tax liability of the assessees at the time of assessment.** This has resulted in non-realisation of tax of ₹ 59.12 lakh (calculated at the rate of 12.5 *per cent* on ₹ 4.73 crore). In addition, interest of ₹ 39.20 lakh and penalty of ₹ 59.12 lakh were also leviable.

The Government stated (May 2018) that remedial action has been taken and demand of ₹ 1.14 crore has been raised against the assessees. The assessees filed objection (December 2018); final decision in this regard was still pending (July 2019).

1.9 Non-levy of interest

Failure of the Assessing Authority to levy interest on additional demand of ₹ 71.68 lakh, resulted in non-levy of interest of ₹ 49.05 lakh.

DVAT Act, 2004 stipulates that when a person is in default in making the payment of any tax, penalty or other amount due under this Act, he shall, in addition to the amount assessed, be liable to pay simple interest of 15 *per cent* on such amount, from the date of such default for so long as he continues to make default in the payment of the said amount.

Scrutiny of records of Ward 32 revealed that an assessee[20] filed its quarterly returns for the assessment year 2013-14 and were assessed between March 2014 and July 2015. Assessment orders revealed that the Assessing Authority while assessing the case for the year 2013-14 under Section 32 of DVAT Act disallowed the Input Tax Credit of ₹ 71.68 lakh on account of purchases made from cancelled dealers and reversed the same by raising an additional tax demand of ₹ 71.68 lakh. **However, audit noted that Assessing Authority failed to levy the interest on additional demand of ₹ 71.68 lakh which resulted in non-levy of interest of ₹ 49.05 lakh for the period between 22 July 2013 to 31 May 2018.**

The Government accepted the facts and reassessed the case in July 2018 by revising the additional demand to ₹ 1.24 crore including interest of ₹ 52.23 lakh. However, the assessee filed an objection against the additional demand before the OHA which was still pending (July 2019).

[20] TIN No. 07060393289

PART 'B'

Public Sector Undertakings

Chapter-II

Public Sector Undertakings

Chapter II

Introduction

Functioning of State Public Sector Undertakings

General

2.1.1.1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of a commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 18[1] PSUs in NCT of Delhi, including two[2] Statutory Corporations and 16 Government Companies under the audit jurisdiction of the Comptroller and Auditor General of India. None of these Government Companies were listed on the stock exchange.

2.1.1.2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in **Table-2.1.1.1:**

Table-2.1.1.1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[3]					Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2018
		Accounts upto 2017-18	Accounts upto 2016-17	Accounts upto 2015-16	Accounts prior to 2015-16	Total	
Working Government Companies[4]	16	11	6	1	7	25	4 (11)
Statutory Corporations	2	1	1	-	-	2	1 (1)
Total	**18**	**12**	**7**	**1**	**7**	**27**	**5 (12)**

Source: Compiled based on accounts received during the period from October 2017 to September 2018

[1] Includes NDMC Smart City Limited, incorporated in 2016-17 through equity contribution by GoI and NDMC. The GNCTD has not made any investment in the company.
[2] Delhi Financial Corporation and Delhi Transport Corporation
[3] From October 2017 to September 2018
[4] Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

The working PSUs registered an annual turnover of ₹ 8,119.06 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 1.18 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹ 6,86,017 crore). The working PSUs incurred loss of ₹ 2,909.83 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed 0.31 lakh employees.

Accountability framework

2.1.1.3 The procedure for audit of Government companies is laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2(45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company[5] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments is referred to in this Report as Government Controlled other Company.

The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139(5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139(7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within 60 days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the Comptroller and Auditor General of India may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by the Central Government

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[5] Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

2.1.1.4 The financial statements of the Government Companies (as defined in Section 2(45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of two Statutory Corporations, the CAG is sole auditor for Delhi Transport Corporation. In respect of Delhi Financial Corporation, the audit is conducted by Chartered Accountants appointed under the State Financial Corporations Act, 1951 and supplementary audit is conducted by the CAG.

Submission of accounts by PSUs

2.1.1.5 Need for timely finalisation and submission

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Companies Act, 2013 provides for levy of penalty, like fine and imprisonment, on the persons, including directors of the company, responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

2.1.1.6 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG in respect of State Government Companies, and Separate Audit Reports (SAR) in case of Statutory Corporations, are to be placed before the State Legislature under Section 394 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of NCT of Delhi in State Public Sector Undertakings (PSUs)

2.1.1.7 The Government of NCT of Delhi (GNCTD) has high financial stakes in the PSUs. This is mainly of two types:

- **Share capital and loans** – In addition to the share capital contribution, GNCTD also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GNCTD provides budgetary support by way of grants and subsidies to the PSUs as and when required.

2.1.1.8 The sector-wise summary of investment in the PSUs as on 31 March 2018 is given in **Table-2.1.1.2:**

Table-2.1.1.2: Sector-wise investment in PSUs

Name of sector	Government Companies[6]	Statutory Corporations	Total	Investment[7] (₹ in crore)		
				Equity	Long term loans	Total
Power	4	-	4	7,106.78	3,511.39	10,618.17
Finance	1	1	2	43.97	33.92	77.89
Service	3	-	3	24.04	2.14	26.18
Infrastructure	2	-	2	21.00	0.00	21.00
Transport	1	1	2	1,994.5	11,736.14	13,730.64
Total	**11**	**2**	**13**	**9,190.29**	**15,283.59**	**24,473.88**

Source: Compiled based on information received from PSUs.

The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹ 5,329.17 crore

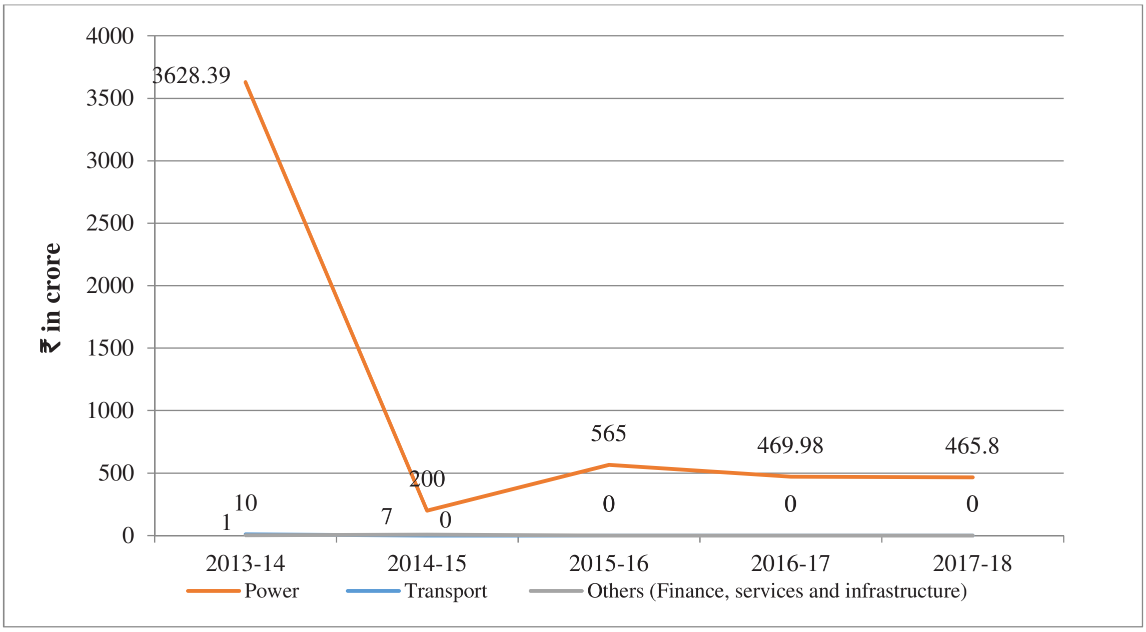
[6] Excluding NDMC Smart City Limited, Delhi Creative Arts Limited, DSIIDC Liquor Limited and DSIIDC Maintenance Services Limited

[7] Investments include equity and long term loans.

(99.66 *per cent*) out of total investment of ₹ 5,347.17 crore made during the period from 2013-14 to 2017-18.

2.1.1.9 The investment in various important sectors made by the state government during the year 2013-14 to 2017-18 is indicated in the **Chart-2.1.1.1:**

Chart-2.1.1.1: Sector-wise investment in PSUs



Source: Compiled based on information received from PSUs

The investment (equity and long term loans) infused over the years in the power sector ranged between ₹ 3,628.39 crore in 2013-14 to ₹ 465.80 crore in 2017-18. Whereas the investment made during the years was only ₹ 10 crore in transport sector in 2013-14 and Rupees one crore in 2013-14 and ₹ seven crore in 2014-15 in other sector (including finance, services and infrastructure sector).

Keeping in view the high level of investment in the Power Sector, we are presenting the results of audit of five Power Sector PSUs in Part I[8] of this report and of the 13 PSUs (other than power sector) in the Part II[9] of the report.

8 Part I includes Chapter-I (Functioning of Power Sector Undertakings)
9 Part II includes Chapter-II (Functioning of PSUs other than Power Sector)

PART-I

Functioning of Power Sector Undertakings

Introduction

2.1.2.1 Power Sector Undertakings play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds to the GSDP of the State. A ratio of power sector PSUs' turnover to GSDP shows the extent of activities of PSUs in the State economy. The **Table-2.1.2.1** provides the details of turnover of the power sector undertakings and GSDP of Delhi for a period of five years ending March 2018:

Table-2.1.2.1: Details of turnover of Power Sector Undertakings *vis-à-vis* GSDP of Delhi

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	3,739.93	3,640.67	4,410.86	3,617.57	4,178.31
GSDP of Delhi	4,43,960.00	4,94,885.00	5,48,081.00	6,16,826.00	6,86,017.00
Percentage of Turnover to GSDP of Delhi	0.84	0.74	0.80	0.59	0.61

Source: Accounts of PSUs and State GSDP data.

The growth of turnover of power sector undertakings has shown a mixed trend during the period 2013-14 to 2017-18, ranging between (-) 17.98 *per cent* to 21.16 *per cent* while the growth of GSDP of Delhi has shown an increasing trend ranging between 10.75 *per cent* to 12.54 *per cent.*

The compounded annual growth of GSDP was 11.49 *per cent* during the last five years. The compounded annual growth is a useful method for measuring growth rate over multiple time periods. Against the compounded annual growth of 11.49 *per cent* of the GSDP, the turnover of power sector undertakings recorded a lower compounded annual growth at 2.81 *per cent* during the last five years. The share of turnover of these power sector undertakings to the GSDP has reduced from 0.84 *per cent* in 2013-14 to 0.61 *per cent* in 2017-18.

Formation of Power Sector Undertakings

2.1.2.2 The Government of National Capital Territory of Delhi (GNCTD) enacted (November 2000) the Delhi Electricity Reform Act 2000 (DERA 2000) to provide for the constitution of an Electricity Regulatory Commission, restructuring of the electricity industry (rationalisation of generation, transmission, distribution and supply of electricity), increasing avenues for participation of private sector in the electricity industry and for taking measures conducive to the development and management of the electricity industry in an efficient, commercial, economic and competitive manner in the

National Capital Territory of Delhi and for matters connected therewith or incidental thereto. Pursuant to the provisions of the Act, the GNCTD notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 (November 2001). The Transfer Scheme provided for the unbundling of the functions of the Delhi Vidyut Board (DVB) and transfer of existing assets, liabilities, proceedings and personnel of the Board in the successor entities. Accordingly, six new companies viz., (i) Holding company (Delhi Power Company Limited- DPCL), (ii) GENCO (Indraprastha Power Generation Company Limited- IPGCL), (iii) TRANSCO (Delhi Transco Limited- DTL), (iv) DISCOM- 1, (v) DISCOM- 2 and (vi) DISCOM- 3 were incorporated (July 2001) but started functioning from 1 July 2002. DISCOM-1, DISCOM-2 and DISCOM-3 were transferred to the private sector (July 2002). In addition to the above, audit of two Power Sector Undertakings viz., Pragati Power Corporation Limited (PPCL, incorporated in January 2001) and DSIIDC Energy Limited (incorporated in May 2011) was entrusted to the Principal Accountant General (Audit), Delhi, bringing five power sector undertakings under the audit purview.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

2.1.2.3 There was no disinvestment, restructuring and privatisation of power sector undertakings by the State Government during the year 2017-18.

Investment in Power Sector Undertakings

2.1.2.4 The activity-wise summary of investment in power sector undertakings as on 31 March 2018 is given in **Table-2.1.2.2:**

Table-2.1.2.2: Activity-wise investment in power sector undertakings

Activity	Number of government undertakings	Investment (₹ in crore)				
		Equity		Long term loans		Total
		Govt.	Others	Govt.	Others	
Generation of Power[10]	2	2,670.73	140.00	1,008.12	1,094.82	4,913.67
Transmission of Power[11]	1	3,691.00	260.00	823.81	627.46	5,402.27
Distribution of Power[12]	-	-	-	-	-	-
Other[13]	2	745.05	0.01	1,679.46	0	2,424.52
Total	**5**	**7,106.78**	**400.01**	**3,511.39**	**1,722.28**	**12,740.46**

Source: Compiled on the basis of latest finalised accounts of the PSUs as on 30 September 2018.

[10] Includes IPGCL and PPCL
[11] DTL
[12] The DISCOMs are functioning in the private sector
[13] Includes DPCL and DSIIDC Energy Limited.

As on 31 March 2018, the total investment (equity and long term loans) in five power sector undertakings was ₹ 12,740.46 crore. The investment consisted of 58.92 *per cent* towards equity and 41.08 *per cent* in long-term loans.

The long term loans advanced by the GNCTD constituted 67.09 *per cent* (₹ 3,511.39 crore) of the total long term loans whereas 32.91 *per cent* (₹ 1,722.28 crore) of the total long term loans were availed from other financial institutions and banks.

Budgetary Support to Power Sector Undertakings

2.1.2.5 The GNCTD provides financial support to power sector undertakings in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans and grants/subsidies released during the year in respect of power sector undertakings for the last three years ending March 2018 are given in **Table-2.1.2.3**:

Table-2.1.2.3: Details of budgetary support to power sector undertakings during the last three years

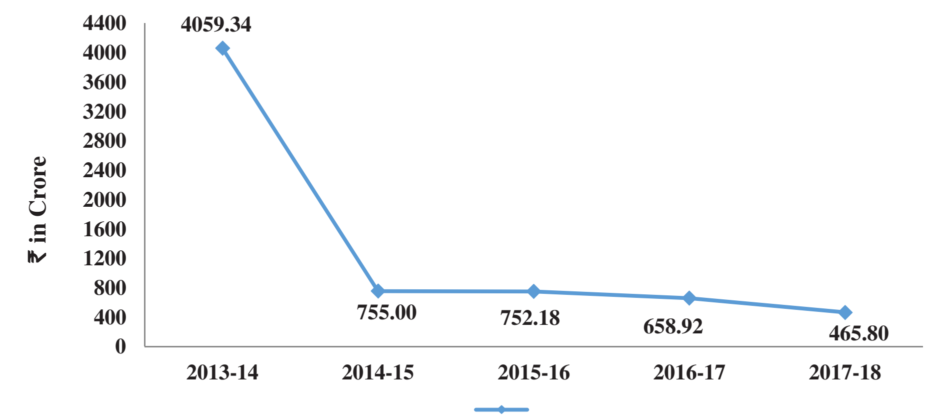
(₹ in crore)

Particulars[14]	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	0	0	0	0	0	0
Loans given (ii)	3	565.00	3	469.98	3	465.80
Grants/Subsidy provided (iii)	2	187.18	3	188.94	0	0
Total Outgo (i+ii+iii)	4	752.18	4	658.92	3	465.80

Source: Information collected from PSUs.

The details of budgetary support towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in **Chart-2.1.2.1**:

Chart-2.1.2.1: Budgetary support towards Equity, Loans and Grants/Subsidies



Source: Information received from PSUs

[14] Amount represents outgo from State Budget only.

The budgetary assistance received by these PSUs during the year ranged between ₹ 465.80 crore and ₹ 4,059.34 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 465.80 crore received during the year 2017-18 consisted of loans given by the GNCTD.

Reconciliation with Finance Accounts of GNCTD

2.1.2.6 The figures in respect of equity and loans outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the GNCTD. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The differences in figures of loans as on 31 March 2018 is given in **Table-2.1.2.4:**

Table-2.1.2.4: Loans outstanding as per Finance Accounts vis-à-vis records of power sector undertakings

(₹ in crore)

Name of power sector undertaking	Outstanding Loans		Difference
	As per Finance Accounts	As per records of power sector undertaking	
Delhi Power Company Limited	3,326.39	1,330.56	1,995.83
Delhi Transco Limited	974.37	974.36	0.01
Indraprastha Power Generation Company Limited	691.90	241.79	450.11
Pragati Power Corporation Limited	867.33	1,188.31	-320.98
Total Difference	**5,859.99**	**3,735.02**	**2,124.97**

Source: Information collected from PSUs and PAOs.

The differences between the figures are persisting since last many years. It is recommended that the State Government and the PSUs reconcile the differences in a time-bound manner.

Submission of accounts by Power Sector Undertakings

2.1.2.7 Timeliness in preparation of accounts by power sector undertakings

There were five power sector undertakings under the audit purview of CAG as of 31 March 2018. Accounts for the year 2017-18 were submitted by all these working PSUs by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30 September of each financial year for the last five years are given in **Table 2.1.2.5:**

Table-2.1.2.5: Position relating to submission of accounts of power sector undertakings

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of PSUs	5	5	5	5	5
2	Number of accounts submitted during current year	5	5	0	6	9
3	Number of PSUs which finalised accounts for the current year	4	1	0	1	4
4	Number of previous year accounts finalised during current year	0	1	4	5	4
5	Accounts under finalisation as on 30 September	1	4	0	0	1*
6	Number of PSUs with arrears in accounts	0	0	5	4	0
7	Number of accounts in arrears	0	0	5	4	0
8	Extent of arrears	Nil	Nil	one year	one year	Nil

Source: Compiled based on accounts of PSUs received during the period from October 2013 to September 2018.
*Delhi Power Company Limited

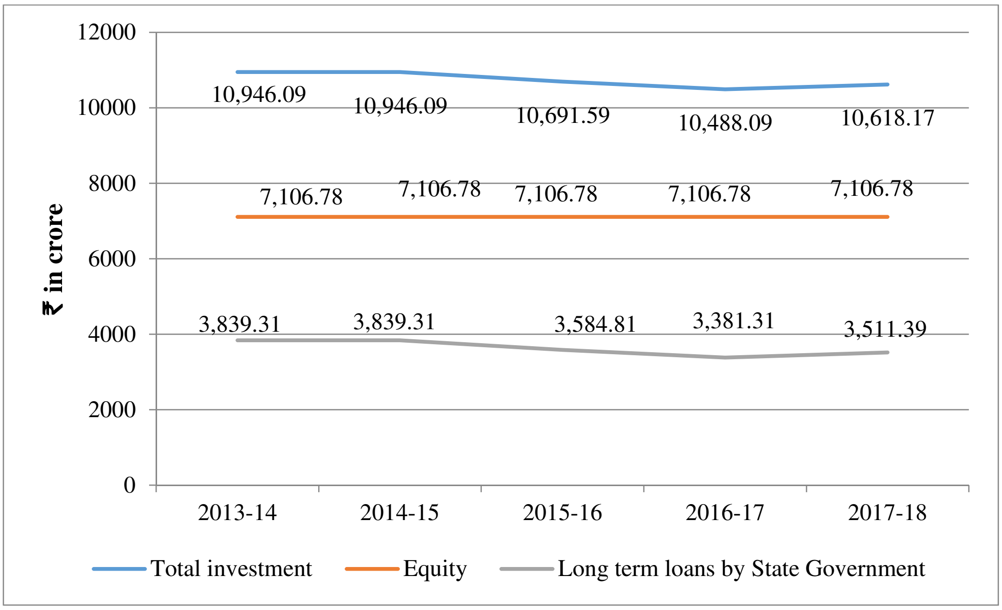
Performance of Power Sector Undertakings

2.1.2.8 The financial position and working results of five power sector undertakings as per their latest finalised accounts as of 30 September 2018 are detailed in **Annexure 2.1.**

The public sector undertakings are expected to yield reasonable return on investment made by the Government in the undertakings. The amount of investment in the five power sector PSUs as on 31 March 2018 was ₹ 12,740.46 crore consisting of ₹ 7,506.79 crore as equity and ₹ 5,233.67 crore as long term loans. Out of this, GNCTD has investment of ₹ 10,618.17 crore in four power sector undertakings (except in DSIIDC Energy Limited), consisting of equity of ₹ 7,106.78 crore and long term loans of ₹ 3,511.39 crore.

The year-wise status of investment of GNCTD in the form of equity and long term loans in the power sector undertakings during the period 2013-14 to 2017-18 is given in **Chart 2.1.2.2:**

Chart-2.1.2.2: Total investment of GNCTD in power sector undertakings



Source: Accounts of PSUs

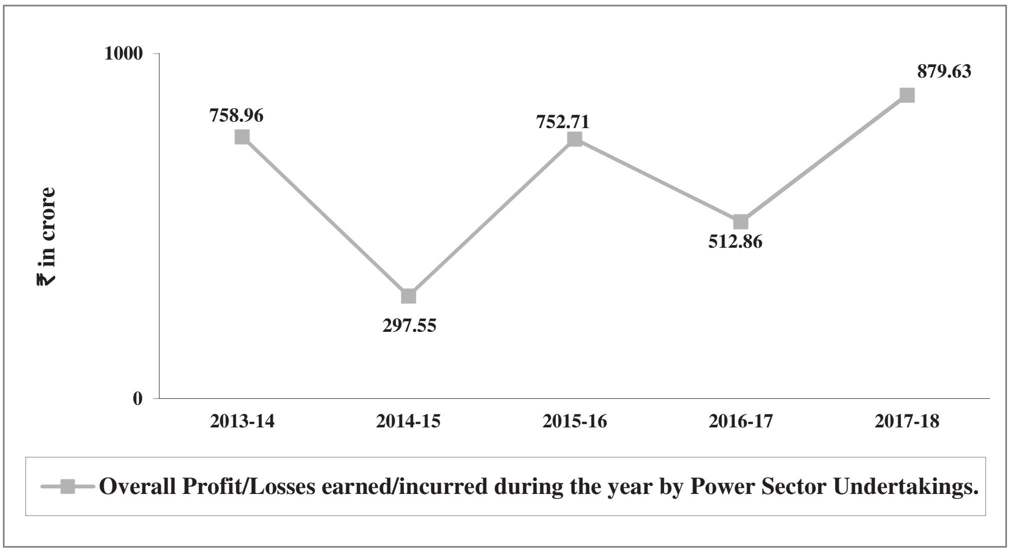
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term interest free loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's Earnings Before Interest and Taxes by Capital Employed. Return on equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on Investment

2.1.2.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit[15] earned by the five power sector undertakings during 2013-14 to 2017-18 is depicted in **Chart-2.1.2.3:**

[15] Figures are as per the latest finalised accounts during the respective years.

Chart-2.1.2.3: Profit earned by Power Sector Undertakings



Source: Accounts of PSUs

The profit earned by these PSUs was ₹ 879.63 crore in 2017-18 against ₹ 758.96 crore in 2013-14. According to their latest finalised accounts, out of these five PSUs, four PSUs earned profit and one PSU incurred marginal losses (**Annexure-2.1**). The top profit making companies were Delhi Transco Limited (₹ 627.18 crore) and Pragati Power Corporation Limited (₹ 211.37 crore).

Position of power sector undertakings which earned/incurred profit/loss during 2013-14 to 2017-18 is given in **Table 2.1.2.6:**

Table 2.1.2.6: Power Sector Undertakings which earned/incurred profit/loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profit during the year	Number of PSUs which incurred loss during the year
2013-14	5	4	1
2014-15	5	3	2
2015-16	5	5	0
2016-17	5	3	2
2017-18	5	4	1

Source: Compiled on the basis of accounts of PSUs

(a) Return on the basis of historical cost of investment

2.1.2.10 Out of five power sector undertakings of the State, the GNCTD infused funds in the form of equity, loans and grants/subsidies in four power sector undertakings only. The GNCTD did not infuse any direct funds in one power sector undertaking i.e., DSIIDC Energy Limited, being a subsidiary company of another Public sector undertaking i.e., DSIIDC, which contributed towards its capital.

The Return on Investment from the four PSUs has been calculated on the investment made by the GNCTD in the PSUs in the form of equity only as there were no interest free loans extended to the four PSUs. Further, the funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

GNCTD had equity participation of ₹ 7,106.78 crore up to 2017-18.

The return on investment on historical cost basis for the period 2013-14 to 2017-18 is given in **Table-2.1.2.7:**

Table-2.1.2.7: Return on GNCTD's Investment on historical cost basis

Financial year	Funds infused by the GNCTD in form of Equity on historical cost basis (₹ in crore)	Total Earnings/ Losses (₹ in crore)	Return on Investment (in *per cent*)
2013-14	7,106.78	758.96	10.68
2014-15	7,106.78	297.55	4.19
2015-16	7,106.78	752.71	10.59
2016-17	7,106.78	512.86	7.22
2017-18	7,106.78	879.63	12.38

Source: Information received from PSUs and their accounts

The return on investment of the four power sector PSUs has shown a mixed trend during 2013-14 to 2016-17. It improved to 12.38 *per cent* during 2017-18.

(b) Return on the basis of Present Value of Investment

2.1.2.11 In view of the significant investment by the GNCTD in the four power sector undertakings, return on such investment is essential from the perspective of the State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. The PV of the Government investments has been computed to assess the rate of return on the PV of investments of GNCTD in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2018, the past investments/year-wise funds infused by the GNCTD in the State PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the GNCTD investment has been computed where funds have been infused by the GNCTD in the form of equity and interest free loans since 2002-03[16] till 31 March 2018. All the PSUs had a positive return on investment during the year 2017-18.

The PV of the GNCTD's investment in power sector undertakings was computed on the basis of following assumptions:

[16] As per figures received from the companies.

- The funds made available in the form of grant/subsidy have not been reckoned as investment.
- The average rate of interest on Government borrowings for the concerned financial year[17] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the government.

2.1.2.12 The company-wise position of GNCTD investment in the five power sector undertakings in the form of equity and interest free loans since 2001-2002 of these companies till 31 March 2018 is indicated in **Annexure-2.2**. The consolidated position of the PV of the GNCTD investment relating to the four power sector undertakings since 2002-03 till 31 March 2018 is indicated in **Table-2.1.2.8**:

Table-2.1.2.8: Year-wise details of investment by the GNCTD and Present Value (PV) of government funds from 2002-03 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Total investment during the year[18]	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[19]
i	ii	iii	iv	v = ii+iii	vi	vii ={v*(1+ vi/100)}	viii=(vi*v)/100	ix
2002-03	-	323.14	323.24[20]	323.24	11.17	359.35	36.11	-1,104.4
2003-04	359.35	0.00	0.00	359.35	10.65	397.62	38.27	0.00
2004-05	397.62	0.00	0.00	397.62	10.34	438.73	41.11	-683.40
2005-06	438.73	0.00	0.00	438.73	8.87	477.65	38.92	-1002
2006-07	477.65	1.00	1.00	478.65	9.35	523.40	44.75	-13.15
2007-08	523.40	4,087.50	4,087.50	4,610.90	9.84	5,064.61	453.71	-575.26
2008-09	5,064.61	464.50	464.50	5,529.11	9.90	6,076.49	547.38	27.27
2009-10	6,076.49	497.54	497.54	6,574.03	9.52	7,199.88	625.85	222.95
2010-11	7,199.88	239.00	239.00	7,438.88	9.10	8,115.82	676.94	420.5
2011-12	8,115.82	450.00	450.00	8,565.82	9.77	9,402.70	836.88	216.41
2012-13	9,402.70	299.00	299.00	9,701.70	9.73	10,645.67	943.98	470.50
2013-14	10,645.67	745.00	745.00	11,390.67	9.21	12,439.76	1,049.08	758.96
2014-15	12,439.76	0.00	0.00	12,439.76	8.59	13,508.33	1,068.58	297.55
2015-16	13,508.33	0.00	0.00	13,508.33	8.54	14,661.94	1,153.61	752.71
2016-17	14,661.94	0.00	0.00	14,661.94	8.65	15,930.20	1,268.26	512.86
2017-18	15,930.20	0.00	0.00	15,930.20	8.58	17,297.01	1,366.81	879.63
Total		**7,106.68**	**7,106.78**					

Source: Information received from PSUs and Report of the CAG of India on State Finances

[17] The average rate of interest on government borrowings was adopted from the Reports of the CAG of India on State Finances (Government of NCT of Delhi) for the concerned year. The average borrowing rate for 2001-02 was not available.

[18] There were no interest free loans given by the State Government to power sector undertakings.

[19] For 2002-03 to 2011-12, the figures for Profit Before Tax are provided as Profit After Tax were not available. 2012-13 onwards Profit After Tax figures have been depicted.

[20] Includes the initial equity investment of ₹ 0.05 crore each in PPCL and DPCL in 2001-2002.

The balance of investment of the GNCTD in these four companies at the end of the year increased to ₹ 7,106.78 crore in 2017-18 from ₹ 323.24 crore in 2002-03. The PV of investments of the GNCTD upto 31 March 2018 worked out to ₹ 17,297.01 crore.

It can be seen from the table that total earnings of the companies have remained lower than the minimum expected return throughout the period from 2002-03 to 2017-18.

A comparison of returns on investment as per historical cost and present value of such investment during 2013-14 to 2017-18 is given in **Table-2.1.2.9:**

Table-2.1.2.9: Return on GNCTD's Funds

(₹ in crore)

Year	Total Earnings/ Loss (-)	Investment by the GNCTD in form of Equity and Interest free Loans	Return on GNCTD's investment on the basis of historical value (%)	Present value of the GNCTD's investment at end of the year	Return on GNCTD's investment considering the present value of the investments (%)
2013-14	758.96	7,106.78	10.68	12,439.76	6.10
2014-15	297.55	7,106.78	4.19	13,508.33	2.20
2015-16	752.71	7,106.78	10.59	14,661.94	5.13
2016-17	512.86	7,106.78	7.22	15,930.20	3.22
2017-18	879.63	7,106.78	12.38	17,297.01	5.09

Source: Information received from PSUs and their Accounts

Return based on historical cost was 12.38 *per cent* during 2017-18 whereas return based on PV was only 5.09 *per cent*.

Net worth

2.1.2.13 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated losses[21] of five power sector undertakings were ₹ 157.28 crore as against the capital investment of ₹ 7,506.79 crore, resulting in net worth of ₹ 7,349.19 crore after deducting the deferred revenue expenditure of ₹ 0.32 crore (**Annexure-2.1**). Out of the five power sector undertakings, the net worth was eroded completely in Delhi Power Company Limited (-₹ 779.11 crore).

[21] Accumulated losses-Free reserves

Table 2.1.2.10 indicates the total paid up capital, accumulated profit/loss and net worth of the four power sector undertakings in which GNCTD has infused equity during the period 2013-14 to 2017-18:

Table-2.1.2.10: Net worth of four power sector undertakings during 2013-14 to 2017-18

(₹ in crore)

Year	Paid up capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2013-14	7,506.78	-2,087.31	1.70	5,417.77
2014-15	7,506.78	-2,087.31	1.70	5,417.77
2015-16	7,506.78	-1,658.02	1.59	5,847.17
2016-17	7,506.78	-905.50	1.61	6,599.67
2017-18	7,506.78	-157.50	0.32	7,348.96

Source: Accounts of PSUs

The accumulated losses of the four power companies decreased substantially from ₹ 2,087.31 crore in 2013-14 to ₹ 157.50 crore in 2017-18 and the net worth has improved from ₹ 5,417.77 crore to ₹ 7,348.96 crore.

Out of four[22] PSUs, net worth of one PSU i.e., DPCL was in negative throughout the previous five years from 2013-14 to 2017-18.

Dividend Payout

2.1.2.14 Dividend Payout relating to four power sector undertakings where equity was infused by the GNCTD during the period is shown in **Table-2.1.2.11:**

Table-2.1.2.11: Dividend Payout of four power sector undertakings during 2013-14 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GNCTD		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2013-14	4	7,106.78	3	6,361.73	0	0	-
2014-15	4	7,106.78	2	2,670.73	0	0	-
2015-16	4	7,106.78	4	7,106.78	0	0	-
2016-17	4	7,106.78	3	6,510.24	0	0	-
2017-18	4	7,106.78	4	7,106.78	0	0	-

Source: Information received from PSUs

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between two and four, but none of the undertakings declared dividend during any of the years.

[22] IPGCL, PPCL, DTL and DPCL.

Return on Equity

2.1.2.15 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital, free reserves, surplus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of four power sector undertakings where funds had been infused by the GNCTD. The details of Shareholders' fund and RoE relating to these four power sector undertakings during the period 2013-14 to 2017-18 are given in **Table-2.1.2.12:**

Table-2.1.2.12: Return on Equity relating to four power sector undertakings where funds were infused by the GNCTD

Year	Net Income/total Earnings for the year[23] (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (%)
2013-14	758.96	5,417.77	14.01
2014-15	297.55	5,417.77	5.49
2015-16	752.71	5,847.17	12.87
2016-17	512.86	6,599.67	7.77
2017-18	879.63	7,348.96	11.97

Source: Accounts of PSUs

As can be seen from the above table, during the last five year period ending March 2018, the Net Income and Shareholders' fund were positive and the RoE has shown a mixed trend ranging between 5.49 *per cent* to 14.01 *per cent.*

Return on Capital Employed

2.1.2.16 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

RoCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed[24]. The details of RoCE of all the five power sector undertakings during the period 2013-14 to 2017-18 are given in **Table-2.1.2.13:**

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[23] Figures are as per the latest finalised accounts during the respective years.

[24] Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Table-2.1.2.13: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (%)
2013-14	1,815.72	12,406.50	14.64
2014-15	1,276.91	12,459.62	10.25
2015-16	1,702.10	12,044.65	14.13
2016-17	1,485.48	12,420.91	11.96
2017-18	1,789.37	12,582.85	14.22

Source: Accounts of PSUs

The RoCE of the power sector undertakings has shown a mixed trend during 2013-14 to 2017-18 ranging between 10.25 *per cent* and 14.64 *per cent*.

Analysis of Long term loans of the Companies

2.1.2.17 The analysis of the long term loans of the companies which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

2.1.2.18 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's EBIT by interest expenses of the same period. The lower the ratio, the less the ability of the company to pay interest on debt. An interest coverage ratio below one indicates that the company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those power sector undertakings which had interest burden during the period 2013-14 to 2017-18 are given in **Table-2.1.2.14:**

Table-2.1.2.14: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings Before Interest and Taxes (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other Financial Institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2013-14	736.71	1,815.72	4	3	1[25]
2014-15	725.21	1,276.91	4	2	2[26]
2015-16	675.00	1,702.10	4	4	0
2016-17	684.96	1,485.48	4	4	0
2017-18	577.92	1,789.37	4	4	0

Source: Accounts of PSUs

The number of power sector undertakings with interest coverage ratio of more than one increased from three companies in 2013-14 to four companies in 2017-18.

[25] DPCL
[26] DPCL and DTL

Debt-Turnover Ratio

2.1.2.19 During the last five years, the turnover of five power sector undertakings recorded compounded annual growth of 2.81 *per cent* and compounded annual decline in debt was 6.97 *per cent* due to which the Debt-Turnover Ratio improved from 1.87 in 2013-14 to 1.25 in 2017-18 as given in **Table-2.1.2.15:**

Table-2.1.2.15: Debt Turnover ratio relating to power sector undertakings

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government/Banks and Financial Institutions	6,988.59	7,041.63	6,197.26	5,821.01	5,233.66
Turnover	3,739.93	3,640.67	4,410.86	3,617.57	4,178.31
Debt-Turnover Ratio	1.87	1.93	1.41	1.61	1.25

Source: Compiled on the basis of latest finalised accounts of the PSUs as on 30 September of respective years.

Comments on Accounts of Power Sector Undertakings

2.1.2.20 Five power sector undertakings forwarded their nine audited accounts to the Principal Accountant General during the period 1 October 2017 to 30 September 2018. Of these, eight accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2015-18 are given in **Table-2.1.2.16:**

Table-2.1.2.16: Impact of audit comments on power sector undertakings

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	3	324.31	3	694.8	2	1,027.19
2	Increase in profit	2	331.45	1	433.27	6	2,325.39
3	Increase in loss	0	0	1	91.04	1	93.30
4	Decrease in loss	0	0	1	229.94	1	171.71
5	Non-disclosure of material facts	1	57.43	3	145.58	0	0
6	Errors of classification	0	0	0	0	1	3

Source: Compiled from comments of the Statutory Auditors/CAG in respect of Government Companies.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on all nine accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out six instances of non-compliance to the Accounting Standards in six accounts.

Follow up action on Audit Reports

2.1.2.21 The Public Accounts Committee (PAC) stipulates that after the presentation of the Audit Report of the CAG of India in the Legislative

Assembly, Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within four months of tabling the report, for consideration of committee. The position of ATNs on Audit Reports in respect of five power sector undertakings is given in **Table-2.1.2.17:**

Table-2.1.2.17: Position of ATNs on Audit Reports (as on 30 September 2018)

Audit Report for the year ended	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which ATNs were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013	01.08.2014	0	1	0	0
2014	30.06.2015	0	0	0	0
2015	13.06.2016	0	5	0	1
2016	10.03.2017	1	3	0	0
2017	03.04.2018	0	3	0	1

Source: Compiled based on ATNs received from GNCTD.

Discussion of Audit Reports by Committee on Government Undertakings (COGU)

2.1.2.22 The status of discussion of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) by the COGU as on 30 September 2018 is given in **Table-2.1.2.18**:

Table-2.1.2.18: Performance Audits/Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 30 September 2018

Audit Report for the year ended	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2013	0	1	0	1
2014	0	0	0	0
2015	0	5	0	0
2016	1	3	0	0
2017	0	3	0	2

Source: Compiled based on the discussions of COGU on the Audit Reports.

Compliance to Reports of COGU

2.1.2.23 No Report has been received from COGU for the period 2013 to 2017.

Part II

Functioning of State Public Sector Undertakings (other than Power Sector)

Introduction

2.1.3.1 There were 13 Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated between 1967 to 2016 and included 11 Government Companies and two Statutory Corporations i.e., Delhi Financial Corporation and Delhi Transport Corporation. They also included one company i.e., NDMC Smart City Limited, incorporated in 2016-17 through equity contribution by Government of India (GoI) and New Delhi Municipal Council (NDMC). The GNCTD has not made any investment in the company.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidies from time to time. Of the 13 PSUs, the State Government invested funds in nine State PSUs only as the State Government did not infuse any funds in three Government Companies which were incorporated as subsidiary of other Government Companies. Equity of these three subsidiary companies[27] was contributed by the respective Holding Company. Further, there was no investment of the State Government in NDMC Smart City Limited which was incorporated through equity contribution by NDMC and Government of India.

Contribution to Economy of the State

2.1.3.2 A ratio of turnover of the PSUs to the GSDP shows the extent of activities of the PSUs in the State economy. The **Table-2.1.3.1** provides the details of turnover of PSUs (other than Power Sector) and GSDP of Delhi for a period of five years ending March 2018:

Table-2.1.3.1: Details of turnover of PSUs (other than Power Sector) *vis-à-vis* GSDP of Delhi

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	4,675.16	4,569.35	4,186.91	4,100.76	3,940.75
GSDP of Delhi	4,43,960.00	4,94,885.00	5,48,081.00	6,16,826.00	6,86,017.00
Percentage of Turnover to GSDP of Delhi	1.05	0.92	0.76	0.66	0.57

Source: Accounts of PSUs and State GSDP data.

The turnover of these PSUs showed a declining trend over the five year period from 2013-14 to 2017-18. The rate of decrease in turnover during the above period ranged from 8.37 *per cent* to 2.06 *per cent*. The rate of increase in GSDP of the State ranged between 10.75 *per cent* to 12.54 *per cent* during the same period. The compounded annual growth of GSDP was 11.49 *per cent*

[27] DSIIDC Liquor Limited, DSIIDC Maintenance Services Limited and Delhi Creative Arts Development Limited

during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 11.49 *per cent* of the GSDP, the turnover of public sector undertakings (other than power sector) recorded negative compounded annual growth of 4.18 *per cent* during last five years. This resulted in a fall in the share of turnover of these PSUs in the state GSDP from 1.05 *per cent* in 2013-14 to 0.57 *per cent* in 2017-18.

Investment in State PSUs

2.1.3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these PSUs has therefore been analysed under two major classifications *viz.,* those in the social sector and those functioning in competitive environment. Besides, three[28] of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 13 PSUs in form of equity and long term loans up to 31 March 2018 are detailed in **Annexure-2.3:**

2.1.3.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given in **Table-2.1.3.2:**

Table-2.1.3.2: Sector-wise investment in State PSUs

Sector	Number of PSUs	Investment (₹ in crore)						
		Equity contribution by GNCTD	Equity contribution by others	Total Equity	Long term loans from GNCTD	Long term loans from others	Total Long term loans	Total
Social Sector	2[29]	32.92	0	32.92	3.06	19.33	22.39	55.31
PSUs in Competitive Environment	8[30]	2,039.83	8.46	2,048.29	11,769.14	9.71	11,778.85	13,827.14
Others	3	10.76	250	260.76	0.00	0.00	0	260.76
Total	**13**	**2,083.51**	**258.46**	**2,341.97**	**11,772.20**	**29.04**	**11,801.24**	**14,143.21**

Source**:** Compiled on the basis of latest finalised accounts of the PSUs as on 30 September 2018.

28 Geospatial Delhi Limited, Shahjhanabad Redevelopment Corporation Limited and NDMC Smart City Limited.

29 Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited and Delhi State Civil Supplies Corporation Limited

30 Delhi State Industrial and Infrastructure Development Corporation (DSIIDC) Limited, Delhi Tourism and Transportation Development Corporation (DTTDC) Limited, Delhi Creative Arts Limited, DSIIDC Liquor Limited, DSIIDC Maintenance Services Limited, Delhi Transport and Infrastructure Development Corporation (DTIDC) Limited, Delhi Financial Corporation (DFC) and Delhi Transport Corporation (DTC)

As on 31 March 2018, the total investment (equity and long term loans) in these 13 PSUs was ₹ 14,143.21 crore. The investment consisted of 16.56 *per cent* towards equity and 83.44 *per cent* in long term loans. Equity contribution by the State Government constituted 88.96 *per cent* (₹ 2,083.51 crore) of the total equity whereas 11.04 *per cent* (₹ 258.46 crore) of the equity was contributed by GoI/others. The long term loans advanced by the State Government constituted 99.75 *per cent* (₹ 11,772.20 crore) of the total long term loans whereas 0.25 *per cent* (₹ 29.04 crore) of the total long term loans were availed from other financial institutions.

The investment has grown by 1.90 *per cent* from ₹ 13,879.88 crore in 2013-14 to ₹ 14,143.21 crore in 2017-18. The investment increased mainly due to the addition of ₹ 250 crore towards equity during 2013-14 to 2017-18, which was investment in NDMC Smart City Limited by GoI and NDMC.

Disinvestment, restructuring and privatisation of State PSUs

2.1.3.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs.

Budgetary Support to State PSUs

2.1.3.6 The GNCTD provides financial support to State PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies during the year in respect of State PSUs (other than Power Sector) for the last three years ending March 2018 are given in **Table-2.1.3.3:**

Table-2.1.3.3: Details regarding budgetary support to State PSUs (other than Power Sector) during the years 2015-16 to 2017-18

(₹ in crore)

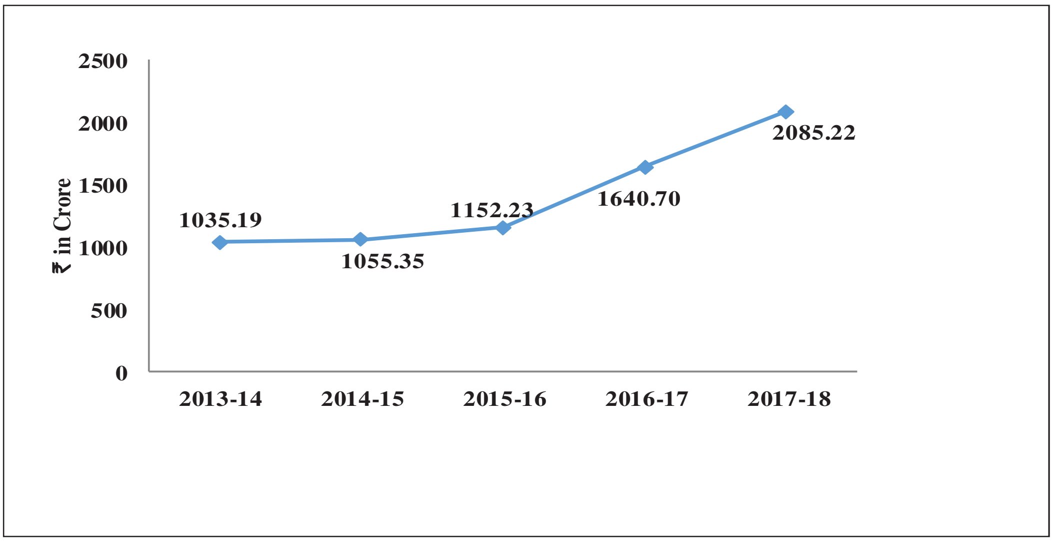
Particulars[31]	**2015-16**		**2016-17**		**2017-18**	
	Number of PSUs	**Amount**	**Number of PSUs**	**Amount**	**Number of PSUs**	**Amount**
Equity Capital outgo (i)	0	0	0	0	0	0
Loans given (ii)	0	0	0	0	0	0
Grants/Subsidy provided (iii)	2	1,152.23	3	1,640.70	4	2,085.22
Total Outgo (i+ii+iii)	2	**1,152.23**	**3**	**1,640.70**	**4**	**2,085.22**

Source**:** Information collected from PSUs.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in a **Chart-2.1.3.1:**

[31] Amount represents outgo from State Budget only.

Chart 2.1.3.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Source: Information received from PSUs

The annual budgetary assistance to these PSUs ranged between ₹ 1,035.19 crore and ₹ 2,085.22 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 2,085.22 crore given during the year 2017-18 was towards grants/subsidies. The State Government did not provide any assistance in the form of equity or loans to these PSUs during 2017-18. Out of the total Grant/subsidy of ₹ 2,085.22 crore given by the State Government in 2017-18, ₹ 2,021.77 crore was given to Delhi Transport Corporation for development of bus depots/terminals.

Reconciliation with Finance Accounts of Government of Delhi

2.1.3.7 The figures in respect of equity and loans as per records of State PSUs (other than Power Sector) should agree with that of the figures appearing in the Finance Accounts of the GNCTD. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is given in **Table-2.1.3.4:**

Table-2.1.3.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of NCT of Delhi vis-à-vis records of State PSUs (other than Power Sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	2,191.13	2,090.90	100.23
Loans	27,663.68	11,791.82	15,871.86

Source**:** Information collected from PSUs and PAOs.

Audit observed that out of nine State PSUs in which the State Government had made investment, such differences occurred in respect of six[32] PSUs as shown in **Annexure-2.4**. The differences between the figures are persisting since last many years. Major difference in balances was observed in Delhi SC/ST/OBC/ Handicapped Financial and Development Corporation Limited (DSCFDC), Delhi Transport Infrastructure Development Corporation Limited (DTIDC) for equity, Delhi Transport Corporation (DTC), and Delhi Transport Infrastructure Development Corporation Limited (DTIDC) for loans. It is, therefore, recommended that the State Government and the respective PSUs reconcile the differences in a time-bound manner.

Submission of accounts by PSUs

2.1.3.8 All 13 PSUs (11 Government Companies and two Statutory Corporations) were under the purview of CAG as of 31 March 2018. The status of timelines followed by the PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. However, out of 11 Government Companies, six Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 whereas accounts of five Government Companies were in arrears. Out of two[33] Statutory Corporations, the CAG is the sole auditor in one Statutory Corporation (DTC). Accounts of one Statutory Corporation (DFC) for the year 2017-18 were presented for audit in time. The accounts of the DTC for the year 2017-18 were awaited as on 30 September 2018.

Details of arrears in submission of accounts of working PSUs (other than Power Sector) as on 30 September 2018 are given in **Table-2.1.3.5:**

[32] DSCFDC, DTIDC, Delhi State Industry and Infrastructure Development Corporation Ltd.(DSIIDCL), DTC, Delhi State Civil Supplies Corporation Limited (DSCSC) and Delhi Financial Corporation (DFC)

[33] DTC and DFC

Table 2.1.3.5: Position relating to submission of accounts by the working PSUs (other than Power Sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of PSUs (other than Power Sector)	12	12	12	12	13
2	Number of accounts submitted during current year	10	9	7	15	18
3	Number of working PSUs which finalised accounts for the current year	8	5	3	1	6
4	Number of previous year accounts finalised during current year	2	3	5	8	12
5	Accounts under finalisation as on 30 September	2	3	2	8	9
6	Number of working PSUs with arrears in accounts	2	4	8	7	4
7	Number of accounts in arrears	12	15	20	17	12
8	Extent of arrears	one to 10 years	one to 11 years	one to 12 years	one to 13 years	one to six years

Source: Compiled based on accounts of PSUs received during the period October 2013 to September 2018.

Of these 13 PSUs, six PSUs had finalised 18 annual accounts during the period 1 October 2017 to 30 September 2018 which included six annual accounts for the year 2017-18 and 12 annual accounts for previous years. Further, 12 annual accounts were in arrears which pertain to five PSUs as detailed in **Annexure-2.5**. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The Finance Department was informed monthly by the Audit of the arrears in finalisation of accounts and the matter was also taken up with the Chief Secretary, GNCTD in November 2018.

The GNCTD had provided ₹ 2,194.25 crore (Loan: ₹ 50.00 crore, Grants/Subsides: ₹ 2,144.25 crore) to the six PSUs, the accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act, 2013, Road Transport Corporation Act, 1950, State Financial Corporations Act, 1951 during the period for which accounts are in arrears. PSU-wise details of investment made by the State Government during the years for which accounts are in arrears are shown in **Annexure-2.5**. However, accounts of two[34] PSUs for the period 2017-18 were finalised and submitted for audit during the period October 2018 to December 2018. Accounts of one[35] PSU for the year 2016-17 were under finalisation as on

[34] DSCSC Ltd and DSIIDC
[35] DTIDC

31 December 2018. Nine accounts pertaining to three[36] working State PSUs were awaited till December 2018.

In the absence of finalisation of accounts and their subsequent audit in remaining five PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GNCTD investment in these PSUs, therefore, remained outside the control of the State Legislature.

Placement of Separate Audit Reports of Statutory Corporations

2.1.3.9 Out of two working Statutory Corporations, one Corporation had forwarded its accounts of 2017-18 by 30 September 2018.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is given in **Table-2.1.3.6:**

Table-2.1.3.6: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Date of submission to GNCTD	Month of placement of SAR
Delhi Financial Corporation	2015-16	25.01.2016	yet to be placed
	2016-17	-	yet to be placed
Delhi Transport Corporation	2015-16	04.09.2017	15.01.2018
	2016-17	19.12.2018	yet to be placed

Source: Information received from PSUs

Impact of non-finalisation of accounts of State PSUs

2.1.3.10 As pointed in paragraph 2.1.3.8, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

Performance of State PSUs

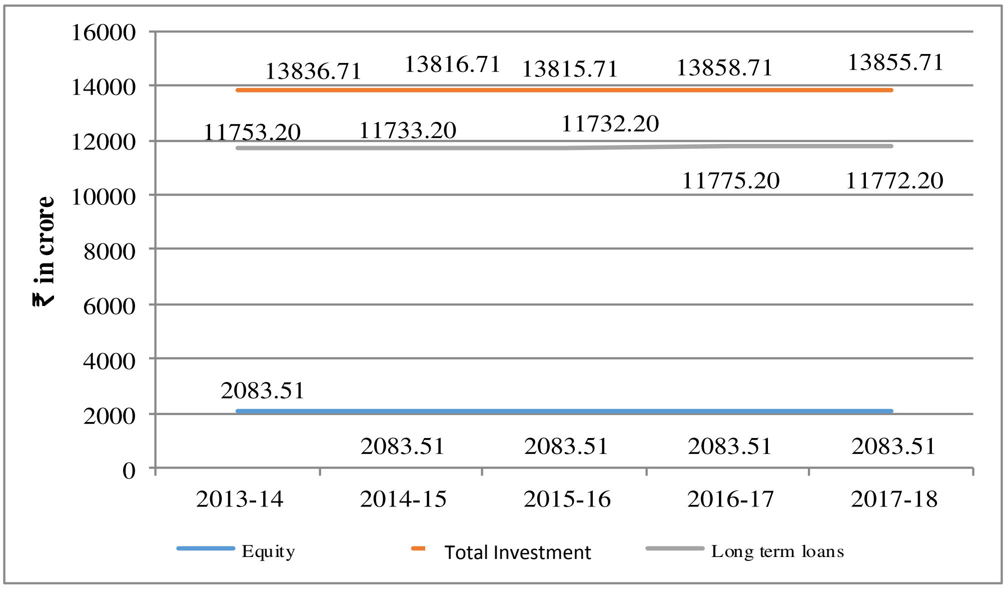
2.1.3.11 The financial position and working results of the 13 PSUs as per their latest finalised accounts as of 30 September 2018 are detailed in **Annexure-2.6**.

[36] DSCFDC (7, 2011-12 to 2017-18), DTIDC (1) and DTC (1)

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment as on 31 March 2018 in the PSUs other than power sector was ₹ 14,143.21 crore, consisting of ₹ 2,341.97 crore as equity and ₹ 11,801.24 crore as long term loans. Out of this, GNCTD has investment of ₹ 13,855.71 crore in the nine PSUs[37], consisting of equity of ₹ 2,083.51 crore and long term loans of ₹ 11,772.20 crore.

The year-wise status of investment of GNCTD in the PSUs other than power sector during the period 2013-14 to 2017-18 is depicted in **Chart-2.1.3.2:**

Chart-2.1.3.2: Total investment of GNCTD in PSUs (other than power sector)



Source: Accounts of PSUs

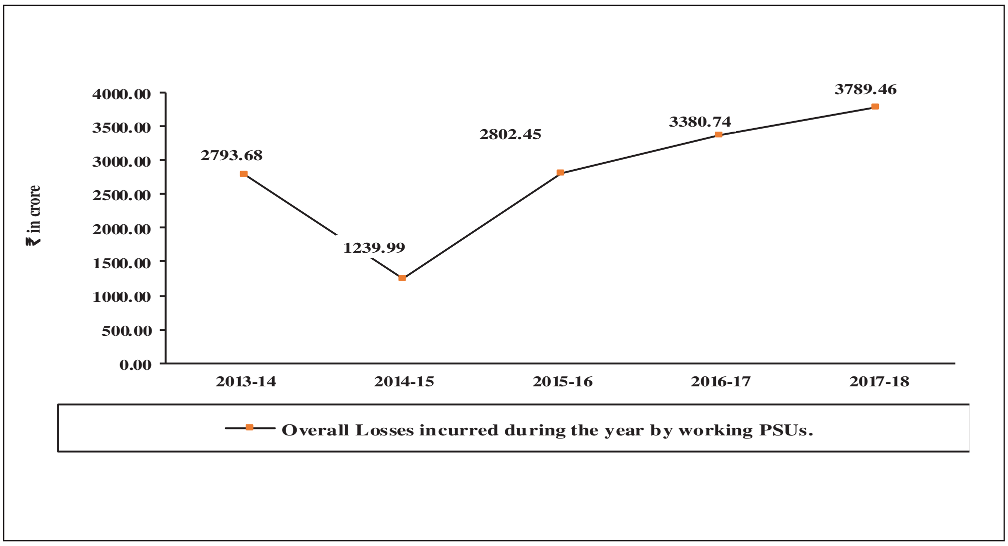
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing net profit after tax by shareholders' fund.

Return on Investment

2.1.3.12 The Return on Investment is the percentage of profit or loss to the total investment. The overall position of Profit/loss[38] earned/incurred by the 13 working State PSUs (other than Power Sector) during 2013-14 to 2017-18 is depicted in a **Chart-2.1.3.3:**

[37] Excluding NDMC Smart City Limited
[38] Figures are as per the latest finalised accounts of the respective years.

Chart 2.1.3.3: Losses incurred by 13 working PSUs during the years



Source: Accounts of PSUs

The PSUs incurred overall losses during the five year period from 2013-14 to 2017-18. Major losses were incurred by the Delhi Transport Corporation to the tune of ₹ 3,843.62 crore as per the latest finalised accounts of the corporation. As per the latest finalised accounts for the year 2017-18, out of the 13 PSUs, five PSUs earned profit of ₹ 70.32 crore and four PSUs incurred losses of ₹ 3,859.78 crore (of which losses of DTC constituted for ₹ 3,843.62 crore) and four PSUs had marginal profit/loss as detailed in **Annexure-2.6**.

The top profit making companies were Delhi State Industrial and Infrastructure Development Corporation Limited (₹ 37.98 crore), Delhi Tourism and Transportation Development Corporation Limited (₹ 19.32 crore) and Delhi Transport Infrastructure Development Corporation Limited (₹ 9.29 crore) while Delhi Transport Corporation (₹ 3,843.62 crore) incurred heavy losses.

Of the 13 PSUs as on 31 March 2018, position of working PSUs which earned/ incurred profit/loss during 2013-14 to 2017-18 is given in **Table-2.1.3.7:**

Table-2.1.3.7: Details of working Public Sector Undertakings (other than Power Sector) which earned/incurred profit/loss during 2013-14 to 2017-18

Financial year	Total number of PSUs (other than Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year
2013-14	12	6	6
2014-15	12	7	5
2015-16	12	8	4
2016-17	12	8	4
2017-18	13	5	8

Source: Compiled on the basis of accounts of PSUs

Return on Investment on the basis of historical cost of investment

2.1.3.13 Out of 13 Public Sector Undertakings of the State, the State Government infused funds in the form of equity, long term loans and grants/subsidies in nine PSUs only. The State Government has invested ₹ 13,855.71 crore in these nine PSUs including equity of ₹ 2,083.51 crore and long term loans of ₹ 11,772.20 crore.

The Return on Investment from the PSUs has been calculated on the investment made by the GNCTD in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment of the State Government in these nine other than Power Sector Undertakings has been arrived at by considering the equity and the interest free loans and in cases where interest free loans have been repaid by the PSUs, the value of investment based on historical cost and Present Value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in **Table-2.1.3.9**. The funds made available in the forms of the grants/subsidies have not been reckoned as investment since they do not qualify to be considered as investment.

As on 31 March 2018, the equity of the State government in these nine PSUs was ₹ 2,083.51 crore. Out of the released long term loans of ₹ 11,772.20 crore, ₹ 98.00 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the investment of State Government in these nine PSUs on the basis of historical cost stood at ₹ 2,181.51 crore (₹ 2,083.51 crore + ₹ 98.00 crore).

The sector-wise return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is as given in **Table-2.1.3.8:**

Table 2.1.3.8: Return on State Government Funds on the basis of historical cost of investment

Year wise Sector-wise break-up	Total Earnings for the year (₹ in crore)		Funds invested by GNCTD in form of Equity and Interest Free Loans on historical cost (₹ in crore)		Return on State Government investment on historical cost basis (%)	
Social Sector						
2013-14	13		82.92		15.68	
2014-15	13		88.92		14.62	
2015-16	11.24		88.92		12.64	
2016-17	11.6		88.92		13.05	
2017-18	-1.89		88.92		-2.13	
Others						
2013-14	1.29		11.76		10.97	
2014-15	1.26		12.76		9.87	
2015-16	3.19		12.76		25	
2016-17	3.19		12.76		25	
2017-18	2.92		12.76		22.88	
Competitive Sector						
	Including DTC	**Excluding DTC**	**Including DTC**	**Excluding DTC**	**Including DTC**	**Excluding DTC**
2013-14	-2,807.94	106.46	2,080.98	97.13	-134.93	109.61
2014-15	-1,254.24	109.5	2,079.83	95.98	-60.3	114.09
2015-16	-2,816.87	100.89	2,079.83	95.98	-135.44	105.12
2016-17	-3,395.53	15.57	2,079.83	95.98	-163.26	16.22
2017-18	-3,776.22	67.4	2,079.83	95.98	-181.56	70.22
Total						
2013-14	**-2,793.65**	**120.75**	**2,175.66**	**191.81**	**-128.4**	**62.95**
2014-15	**-1,239.98**	**123.76**	**2,181.51**	**197.66**	**-56.84**	**62.61**
2015-16	**-2,802.44**	**115.32**	**2,181.51**	**197.66**	**-128.46**	**58.34**
2016-17	**-3,380.74**	**30.36**	**2,181.51**	**197.66**	**-154.97**	**15.36**
2017-18	**-3,775.19**	**68.43**	**2,181.51**	**197.66**	**-173.05**	**34.62**

Source: Information received from PSUs and accounts of PSUs

The overall return on State Government investment is worked out by dividing the total earnings[39] of these PSUs by the cost of the State Government investments. **Return earned on State Government investment by nine non-power PSUs ranged between (-) 173.05 per cent and (-) 56.84 per cent during the period 2013-14 to 2017-18. Negative returns was on account of huge losses incurred by Delhi Transport Corporation (DTC), ranging from ₹ 2,914.40 crore in 2013-14 to ₹ 3,843.62 crore in 2017-18. After excluding DTC return on investment for remaining eight PSUs was positive for all the five years from 2013-14 to 2017-18, ranging from 15.36 per cent to 62.95 per cent.** Further, the returns from the social sector reduced substantially from 15.68 *per cent* in 2013-14 to -2.13 *per cent* in 2017-18 as the earnings of the two[40] companies in the social sector turned negative over the five year period.

[39] This includes net profit/loss for the concerned year relating to those State PSUs where the investments have been made by the State Government.

[40] DSCSC and DSCFDC

Return on Investment on the basis of Present Value of Investment

2.1.3.14 An analysis of the earnings vis-a-vis investments in respect of those nine PSUs (other than Power Sector) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value of money.

The PV of the Government investments has been computed to assess the rate of return on the PV of investments of GNCTD in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2018, the past investments/year-wise funds infused by the GNCTD in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed in respect of those nine State PSUs (other than power sector) where funds had been infused by the State Government in the shape of equity and interest free loan up to 31 March 2018. During the period from 2013-14 to 2017-18, these nine PSUs had a negative Return on Investment.

The PV of the State Government investment in the nine undertakings was computed on the following assumptions:

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in Para 2.1.3.13.
- The average rate of interest on Government borrowings for the concerned financial year[41] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the government.

For the years 2013-14 to 2017-18, when these nine companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in Para 2.1.3.17.

2.1.3.15 The PSU-wise position of State Government investment in these nine State PSUs in the form of equity and loans on historical cost basis for the

41 The average rate of interest on government borrowings was adopted from the Reports of the CAG of India on State Finances (GNCTD) for the concerned year.

period from 2002-03 to 2017-18 is indicated in **Annexure-2.7.** Further, consolidated position of PV of the State Government investment and the total earnings relating to these PSUs for the same period is indicated in **Table-2.1.3.9:**

Table-2.1.3.9: Year wise details of investment by the GNCTD and Present Value of government investment for the period from 2002-03 to 2017-18 including DTC

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Interest free loans given by the state government during the year	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	Present Value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[42]
i	**ii**	**iii**	**iv**	**v=iii+iv**	**vi=ii+v**	**vii**	**viii={vi*(1+ vii/100)}**	**ix=vii*vi /100**	**x**
2002-03		196.11	0	196.11	196.11	11.17	218.02	21.91	-768.54
2003-04	218.02	0	0	0	218.02	10.65	241.23	23.22	-534.27
2004-05	241.23	0	0	0	241.23	10.34	266.18	24.94	-691.88
2005-06	266.18	0	0	0	266.18	8.87	289.79	23.61	-857.78
2006-07	289.79	0.29	0	0.29	290.08	9.35	317.20	27.12	-850.94
2007-08	317.20	377.30	0	377.30	694.50	9.84	762.84	68.34	-1,174.20
2008-09	762.84	250.05	0	250.05	1,012.89	9.90	1,113.16	100.28	-1,699.94
2009-10	1,113.16	630.71	0	630.71	1,743.87	9.52	1,909.89	166.02	-2,011.63
2010-11	1,909.89	219.00	0	219.00	2,128.89	9.10	2,322.62	193.73	-1,978.31
2011-12	2,322.62	211.65	40.00	251.65	2,574.27	9.77	2,825.78	251.51	-2,185.59
2012-13	2,825.78	199.55	50.00	249.55	3,075.33	9.73	3,374.56	299.23	-2,246.25
2013-14	3,374.56	0	1	1	3,375.56	9.21	3,686.45	310.89	-2,793.65
2014-15	3,686.45	-1.15	7	5.85	3,692.30	8.59	4,009.46	317.17	-1,239.98
2015-16	4,009.46	0	0	0	4,009.46	8.54	4,351.87	342.41	-2,802.44
2016-17	4,351.87	0	0	0	4,351.87	8.65	4,728.31	376.44	-3,380.74
2017-18	4,728.31	0	0	0	4,728.31	8.58	5,134.00	405.69	-3,775.19
Total		**2,083.51**	**98.00**	**2,181.51**					

Source: Information received from PSUs and Report of the CAG of India on State Finances

The balance of investment by GNCTD in these PSUs at the end of the year increased to ₹ 2,181.51crore in 2017-18 from ₹ 196.11 crore in 2002-03 as

42 Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those nine PSUs (other than Power Sector) where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/loss) for that year have been taken as per latest audited accounts of the concerned PSU. The total earnings figures for 2002-03 to 2011-12 comprise of Earnings before tax, as after tax figures were only available for 2012-13 to 2017-18.

GNCTD made further investments in the form of equity (₹ 2,083.51 crore) and interest free loans (₹ 98.00 crore) during the period 2002-03 to 2017-2018. The PV of funds infused by the State Government up to 31 March 2018 amounted to ₹ 5,134.00 crore.

During 2002-03 to 2017-18, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs as the Delhi Transport Corporation incurred substantial losses during this period. Earnings of the PSUs[43] during the period from 2002-18, were set off towards the losses incurred by DTC due to which the total earnings remained below the minimum expected return as detailed in Table-2.1.3.9. Net Present Value by excluding DTC has been worked out in Annexure-2.8. It is seen that total earnings of all PSUs exceeded the minimum expected return in all years during 2002-03 to 2017-18 except during 2008-09 and 2016-17.

2.1.3.16 During the years 2013-14 to 2017-18, the Government had negative returns on investments made in these PSUs.

Erosion of Net worth

2.1.3.17 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

Table-2.1.3.10 indicates total paid up capital, total accumulated profit/loss, and total net worth of these non-power sector companies[44] where GNCTD has made direct investment:

Table-2.1.3.10: Net worth of other than power sector undertakings during 2013-14 to 2017-18

(₹ in crore)

Year	Paid Up Capital of PSUs at end of the year		Accumulated Profit (+) Loss (-) at end of the year		Deferred revenue Expenditure	Net Worth of companies	
	Including DTC	Excluding DTC	Including DTC	Excluding DTC		Including DTC	Excluding DTC
2013-14	2,091.76	107.91	-17,124.13	483.15	0	-15,032.37	591.06
2014-15	2,091.76	107.91	-18,474.36	496.66	0	-16,382.60	604.57
2015-16	2,091.82	107.97	-21,249.72	639.06	0	-19,157.90	747.03
2016-17	2,091.88	108.03	-24,565.12	734.88	0	-22,473.24	842.91
2017-18	2,091.94	108.09	-28,307.57	835.92	0	-26,215.63	944.01

Source: Accounts of PSUs

[43] Mainly DSIIDC, DSCFDC and DTTDC

[44] Excluding NDMC Smart City Limited, DSIIDC Maintenance Services Ltd., DSIIDC Liquor Ltd. and Delhi Creative Arts Ltd.

Out of the 13 non-power PSUs, GNCTD invested in nine PSUs. Out of these nine, there was positive net worth in seven PSUs[45] and negative net worth in DTC (for one[46] company the net worth was considered zero being listed under Section 8 of the Companies Act, 2013). The positive net worth of the seven PSUs (₹ 944.01 crore) was outweighed by negative net worth of DTC (₹ 27,159.64 crore) and the total net worth of these nine PSUs during 2013-14 to 2017-18 remained negative. However, after excluding DTC the total net worth of the seven PSUs was positive during this period.

Dividend Payout

2.1.3.18 The State Government had not formulated a dividend policy for payment of dividend by PSUs.

Dividend payout relating to nine PSUs (other than power sector) where equity was infused by GNCTD during the period is shown in **Table 2.1.3.11:**

Table 2.1.3.11: Dividend Payout of nine PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GNCTD		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (*per cent*)
	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2013-14	9	2,083.51	6	81.61	2	1.13	1.38
2014-15	9	2,083.51	6	81.61	1	0.50	0.61
2015-16	9	2,083.51	7	99.66	1	0.50	0.50
2016-17	9	2,083.51	7	99.66	1	0.50	0.50
2017-18	9	2,083.51	5	66.74	1	0.50	0.75

Source: Information received from PSUs

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged from five to seven. During this period, only two PSUs (DTTDC Limited and Delhi State Civil Supplies Corporation) declared/paid dividend to GNCTD and the Dividend Payout Ratio ranged from 0.50 *per cent* to 1.38 *per cent* only.

Return on Equity

2.1.3.19 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

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45 DSCFDC, DSCSC, DSIIDC, DTTDC, DTIDC, DFC and Geospatial Delhi Limited (GDL)

46 Shahjahanabad Redevelopment Corporation (SRDC) is a non profit making Company registered under Section 8 of the Companies Act 2013.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

RoE has been computed in respect of nine other than power sector undertakings where funds had been infused by GNCTD. The details of Shareholders fund and ROE relating to nine PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in **Table 2.1.3.12:**

Table 2.1.3.12: Return on Equity relating to PSUs where funds were infused by GNCTD

Year	Net Income of nine PSUs (₹ in crore)		Shareholders' Fund of nine PSUs (₹ in crore)		RoE (*per cent*)	
	Including DTC	Excluding DTC	Including DTC	Excluding DTC	Including DTC	Excluding DTC
2013-14	-2,793.65	120.75	-15,032.37	591.06	-	20.43
2014-15	-1,239.98	123.76	-16,382.60	604.57	-	20.47
2015-16	-2,802.44	115.32	-19,157.90	747.03	-	15.44
2016-17	-3,380.74	30.36	-22,473.24	842.91	-	3.60
2017-18	-3,775.19	68.43	-26,215.63	944.01	-	7.25

Source: Accounts of PSUs

During the last five years, the net income in respect of eight companies, other than DTC, was positive for all the five years and, as a result, there was positive return on equity ranging from 3.60 per cent to 20.47 per cent. However, due to heavy losses incurred by DTC which increased from ₹ 2,914.40 crore in 2013-14 to ₹ 3,843.62 crore in 2017-18, the net income for the nine companies became negative in all the five years and thus the RoE could not be worked out for this period.

Return on Capital Employed

2.1.3.20 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed[47]. The details of total RoCE of nine PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in **Table-2.1.3.13:**

[47] Capital employed = Paid up share capital + long term loans + free reserves - accumulated losses- deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised as on 30 September 2018.

Table 2.1.3.13: Return on Capital Employed

Year	EBIT for PSUs (₹ in crore)		Capital Employed for PSUs (₹ in crore)		RoCE for PSUs (*per cent*)	
	Including DTC	Excluding DTC	Including DTC	Excluding DTC	Including DTC	Excluding DTC
2013-14	-648.56	208.80	-3,244.31	702.98	-	29.70
2014-15	1,356.53	230.07	-4,614.54	696.49	-29.40	33.03
2015-16	94.89	176.68	-7,396.50	832.29	-1.28	21.23
2016-17	3.91	112.61	-10,673.17	966.84	-0.04	11.65
2017-18	180.58	174.00	-14,438.43	1,045.07	-1.25	16.65

Source: Accounts of PSUs

During the last five years for the period ended March 2018, the overall capital employed in respect of eight companies, other than DTC, was positive for all the five years and as a result the return on capital employed was also positive ranging from 11.65 per cent to 33.03 per cent. However, with the inclusion of DTC, the capital employed for these companies turned negative for all the five years. For the year 2013-14, as the earnings before interest and tax was negative, the return on capital employed has not been calculated.

Analysis of Long Term Loans of the PSUs

2.1.3.21 Analysis of the Long Term Loans of the PSUs (other than Power Sector) which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

2.1.3.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing EBIT of a PSU by interest expenses of the same period. The lower the ratio, the less the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of the PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in **Table-2.1.3.14:**

Table-2.1.3.14: Interest Coverage Ratio relating to State PSUs

Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	2,064.54	-648.59	7	2	5[48]
2014-15	2,518.35	1,356.52	7	3	4[49]
2015-16	2,862.25	94.88	6	3	3[50]
2016-17	3,325.38	3.91	6	3	3[51]
2017-18	3,874.95	166.31	6	2[52]	4[53]

Source: Accounts of PSUs

Of the six PSUs (other than Power Sector) having liability of loans from Government as well as banks and other financial institutions during 2017-18, two PSUs had interest coverage ratio of more than one whereas remaining four PSUs had interest coverage ratio below one, which indicates that these four PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

2.1.3.23 During the last five years, the turnover of the 13 PSUs recorded compounded annual decline of 4.18 *per cent* and compounded annual growth of debt of 0.03 *per cent* due to which the debt turnover ratio deteriorated from 2.52 in 2013-14 to 2.99 in 2017-18 as given in **Table-2.1.3.15:**

Table-2.1.3.15: Debt Turnover Ratio relating to the State PSUs (other than Power Sector)

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	11,788.09	11,768.09	11,761.43	11,800.10	11,801.24
Turnover	4,675.16	4,569.35	4,186.91	4,100.76	3,940.75
Debt-Turnover Ratio	2.52:1	2.58:1	2.81:1	2.88:1	2.99:1

Source**:** Compiled on the basis of latest finalised accounts of the PSUs as on 30 September 2018 of the respective years

48 Delhi State Civil Supplies Corporation Limited, Geospatial Delhi Limited, Delhi Creative Arts Limited, Delhi Transport Infrastructure Development Corporation Limited and Delhi Transport Corporation

49 Delhi State Civil Supplies Corporation Limited, Geospatial Delhi Limited, Delhi Creative Arts Limited and Delhi Transport Corporation

50 Delhi SC/ST/OBC, Handicapped Finance and Development corporation Limited, Delhi State Civil Supplies Corporation Limited and Delhi Creative Arts Limited

51 Delhi State Civil Supplies Corporation Limited, Delhi Creative Arts Limited and Delhi Transport Corporation

52 DTIDC and DFC

53 Delhi SC/ST/OBC, Handicapped Finance and Development Corporation Limited, Delhi State Civil Supplies Corporation Limited, Delhi Creative Arts Limited and Delhi Transport Corporation

The debt-turnover ratio ranged between 2.52 and 2.99 during this period. The overall accumulated losses increased substantially during the period from 2013-14 to 2017-18 which was mainly due to increase in accumulated losses of the Delhi Transport Corporation.

Comments on Accounts of State PSUs

2.1.3.24 Ten companies forwarded their 16 audited accounts to the Principal Accountant General during the period 1 October 2017 to 30 September 2018. Of these, 11 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are given in **Table 2.1.3.16:**

Table 2.1.3.16: Impact of audit comments on Working Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	3	35.11	2	15.94	2	39.36
2.	Increase in profit	1	8.02	0	0	1	0.05
3.	Increase in loss	0	0	0	0	1	4.45
4.	Decrease in loss	0	0	1	0.06	1	0.40
5.	Non-disclosure of material facts	0	0	1	7.96	1	1.22
6.	Errors of classification	2	31.36	0	0	1	1.74

Source: Compiled from comments of the Statutory Auditors/ CAG in respect of Government Companies.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on seven[54] accounts, unqualified certificates for seven[55] accounts, disclaimer for one[56] account and adverse certificate for one[57] account. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out five instances of non-compliance to the Accounting Standards in three accounts.

2.1.3.25 GNCTD has two Statutory Corporations *i.e.*, (i) Delhi Transport Corporation (DTC) and (ii) Delhi Financial Corporation (DFC). The CAG is sole auditor in respect of DTC.

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[54] DTIDC (2014-15), DSIIDC (2016-17), DSIIDC Liquor Limited (2016-17), DSIIDC Creative Arts Limited (2016-17), Delhi Creative Arts Limited (2017-18), DSIIDC Liquor Limited and DSCFDC (2004-05)

[55] DTTDC, GSDL, SRDC for 2016-17, Geospatial Delhi Limited, DTTDC, DSIIDC Maintenance Services Limited and SRDC for 2017-18

[56] NDMC Smart City Limited (2016-17)

[57] DSCSC (2016-17)

DTC forwarded its annual accounts for the year 2016-17 whereas DFC forwarded annual accounts for the year 2017-18 during 01 October 2017 to 30 September 2018. Both the accounts were selected for audit. The Audit Reports of Statutory Auditors and the sole/supplementary audit of CAG indicated the need to improve the quality of maintenance of accounts.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given in **Table 2.1.3.17:**

Table 2.1.3.17: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	0	0	1	3.78	1	10.56
2	Increase in profit	0	0	0	0	1	0.37
3	Increase in loss	1	1,978.50	1	2,389.34	1	2,332.74
4	Decrease in loss	0	0	1	15.1	1	19.65
5	Non-disclosure of material facts	1	964.04	2	127.94	2	125.39
6	Errors of classification	0	0	1	25.24	1	1.02

Source: Compiled from comments of the Statutory Auditors/CAG in respect of Statutory Corporations.

Compliance Audit Paragraphs

2.1.3.26 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, two Compliance Audit Paras related to Delhi Tourism and Transportation Development Corporation Limited (DTTDC), and one Performance Audit (PA) Report on the "Management of Public Transport Infrastructure in Delhi by Delhi Transport Infrastructure Development Corporation Limited" were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish the replies. Replies on two Compliance Audit Paras and one PA have been received from the State Government and taken into account while finalising the paras and PA. The total financial impact of two Compliance Audit Paras is ₹ 3.73 crore and of Performance Audit is ₹ 454.83 crore.

Follow up action on Audit Reports

Replies outstanding

2.1.3.27 The Public Accounts Committee (PAC) stipulates that after presentation of the Report of the CAG of India in the Legislative Assembly, Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within four months of tabling the report, for consideration of committee. The position of

ATNs on Audit Reports related to PSUs (other than power sector) is given in **Table-2.1.3.18:**

Table-2.1.3.18: Position of ATNs on Audit Reports related to PSUs other than Power Sector (as on 30 September 2018)

Audit Report for the year ended	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non-Power Sector in the Audit Report		Number of PAs/ Paragraphs for which ATNs were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013	01.08.2014	1	6	0	0
2014	30.06.2015	1	2	0	0
2015	13.06.2016	1	1	0	0
2016	10.03.2017	0	3	0	1
2017	03.04.2018	1	5	0	0

Source: Compiled based on ATNs received from GNCTD

ATNs on one compliance audit paragraph was pending with the department till September 2018.

Discussion of Audit Reports by Committee on Government Undertakings

2.1.3.28 The status of discussion of Performance Audits and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COGU as on 30 September 2018 are given in **Table-2.1.3.19:**

Table-2.1.3.19: Status of PAs/Paras in the Audit Reports which have been discussed in COGU (as on 30 September 2018)

Audit Report for the year ended	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2013	1	6	1	2
2014	1	2	1	0
2015	1	1	0	0
2016	0	3	0	0
2017	1	5	0	0

Source: Compiled based on the discussions of COGU on the Audit Reports

Compliance to Reports of COGU

2.1.3.29 No report has been received from COGU for the period 2013 to 2017.

Department of Transport

2.2. Performance Audit on the "Management of Public Transport Infrastructure in Delhi by Delhi Transport Infrastructure Development Corporation Limited"

Delhi Transport Infrastructure Development Corporation Limited (DTIDC) has the mandate of planning, developing and maintaining Public Transport infrastructure with the aim of providing better facilities and amenities to the passengers and tourists in the National Capital Territory of Delhi (NCTD). In its mandate regarding strengthening/creating public transport infrastructure, DTIDC is responsible for five Inter State Bus Terminals (ISBTs) and construction and maintenance of all the Bus Queue Shelters (BQSs) in NCTD.

Some of the significant audit findings are summarised below.

Highlights

Due to failure of DTIDC to provide timely work fronts, the upgradation work of ISBT Kashmere Gate could not be completed even after more than eight years of the stipulated completion date, resulting in raising of claims of ₹ 113.80 crore by the contractor and Delhi Integrated Multi Modal Transit System Limited.

(Para 2.2.2.1(A)(a))

Even after lapse of more than 20 years of the Supreme Court's directions to establish ISBTs at North and South West entry points of Delhi, ISBTs at Dwarka and Narela could not be established. The objective of reducing air pollution in GNCTD by establishing these two ISBTs could not be achieved as 516 and 1243 inter-state diesel operated buses arriving from Haryana, Rajasthan, Punjab and Himachal Pradesh continue to ply to/from ISBTs at Sarai Kale Khan and Kashmere Gate respectively.

(Para 2.2.2.1(A)(c))

In case of Narela ISBT, after releasing payment of ₹ 10.30 crore to DDA, the land for establishment of the ISBT has not yet been finalised even after the lapse of 11 years.

(Para 2.2.2.1 (A)(c)(ii))

DTIDC failed to find suitable concessionaires since 2013 for the development of 1397 BQSs. No alternate funding methods were considered as a result of which no new BQSs have been constructed in the last five years.

(Para 2.2.2.2(a))

DTIDC incurred avoidable payment of interest of ₹ 2.76 crore due to default/delay in filing of ITR and default/deferment in payment of advance tax.

(Para 2.2.3.1)

DTIDC made underpayment of ₹ 25.55 crore to GNCTD.

(Para 2.2.3.2)

DTIDC failed to finalise its Recruitment Rules even after eight years of incorporation. In the absence of Recruitment Rules, it was not appointing regular staff in the Engineering and Non Engineering Cadres and was being managed by staff on deputation basis from Department of Transport (DoT)/ Government of National Capital Territory of Delhi (GNCTD), thereby lacking continuity of service in the organisation. This impacted statutory compliances not being adhered to in a timely manner, delays which occurred in upgradation work, and poor progress in follow-up for allotment of land for ISBTs at Narela and Dwarka.

(Para 2.2.4.1)

2.2.1 Introduction

DTIDC was incorporated (August 2010) under the Companies Act, 1956 as a wholly-owned company by the Government of NCT of Delhi, under the administrative control of the Department of Transport, GNCTD.

The major objective of DTIDC was to establish, develop, redevelop, improve, operate, manage and maintain existing as well as new ISBTs (to cater to the Inter-State buses from/to Delhi as well as the local buses within Delhi), BQSs and Bus Depots to facilitate the development of multi-modal transit facilities to augment public transport network system in the NCTD. The DTIDC is also the work executing agency and executes projects and works assigned by the Transport Department from time to time.

The DTIDC took over the three operational ISBTs at Kashmere Gate, Anand Vihar and Sarai Kale Khan, along with their assets and liabilities as a going concern with effect from 1 April 2011.

Further, on the recommendations of the Environment Pollution (Prevention and Control) Authority (EPCA) to convert all the city buses to Compressed Natural Gas (CNG) fuel mode, the Supreme Court had ordered (July 1998) GNCTD to establish two ISBTs at South-West and North Delhi, to prevent entry of diesel operated inter-state buses inside the periphery of Delhi, by 31 March 2000. These ISBTs were yet to be established when DTIDC was formed and the work of development of these two new ISBTs was also assigned to DTIDC.

Apart from the ISBTs, DTIDC had also been assigned (August 2012) the responsibility to construct and maintain all the BQSs in NCTD and accordingly DTIDC had taken over 1594 BQSs from DoT, Delhi Transport Corporation (DTC) and Delhi Integrated Multi Modal Transit System Limited (DIMTS).

2.2.1.1 Organisational set-up

The Secretary-cum-Commissioner Transport of the GNCTD is the ex-officio Executive Chairperson of the Board of Directors of DTIDC. The DTIDC is managed by the Managing Director, who is assisted by the Executive Director.

2.2.1.2 Audit Objectives

The audit objectives of this performance audit were to assess whether

(i) the planning and execution of public transport infrastructure projects were effective in the NCT of Delhi as envisaged;

(ii) the financial management of DTIDC was economical, efficient and effective;

(iii) the public transport infrastructure was operated and maintained properly to provide the desired level of services economically, efficiently and effectively; and

(iv) the oversight and monitoring mechanisms were adequate and commensurate with the size and business of the company.

2.2.1.3 Audit Scope and Methodology

The performance audit on the functioning of DTIDC was conducted during April to August 2018 to examine the activities of DTIDC during the period of five years from 2013-14 to 2017-18. The audit methodology included examination of records, issuance of questionnaires, documenting and analysing evidence collected from the Head Office of DTIDC and its field offices, examination of agenda and minutes of Board Meetings and consideration of replies to the audit memos issued. An entry conference was held on 10 April 2018 to explain audit methodology, scope, objectives and criteria for the performance audit and the exit conference was held on 23 January 2019 to discuss the audit observations.

2.2.1.4 Audit Criteria

The audit findings were evaluated against the criteria derived from the following:

(i) Agenda and minutes of the Board meetings of the Company;

(ii) Directions of the Transport Department, GNCTD for redevelopment of ISBTs;

(iii) CPWD Manual of Works, General Financial Rules;

(iv) Delegation of power, internal control/internal audit system of the company; and

(v) Any other Policy/Framework/Criteria/guidelines laid down by the State/Central Government.

Audit Findings

2.2.2 Infrastructure development and maintenance

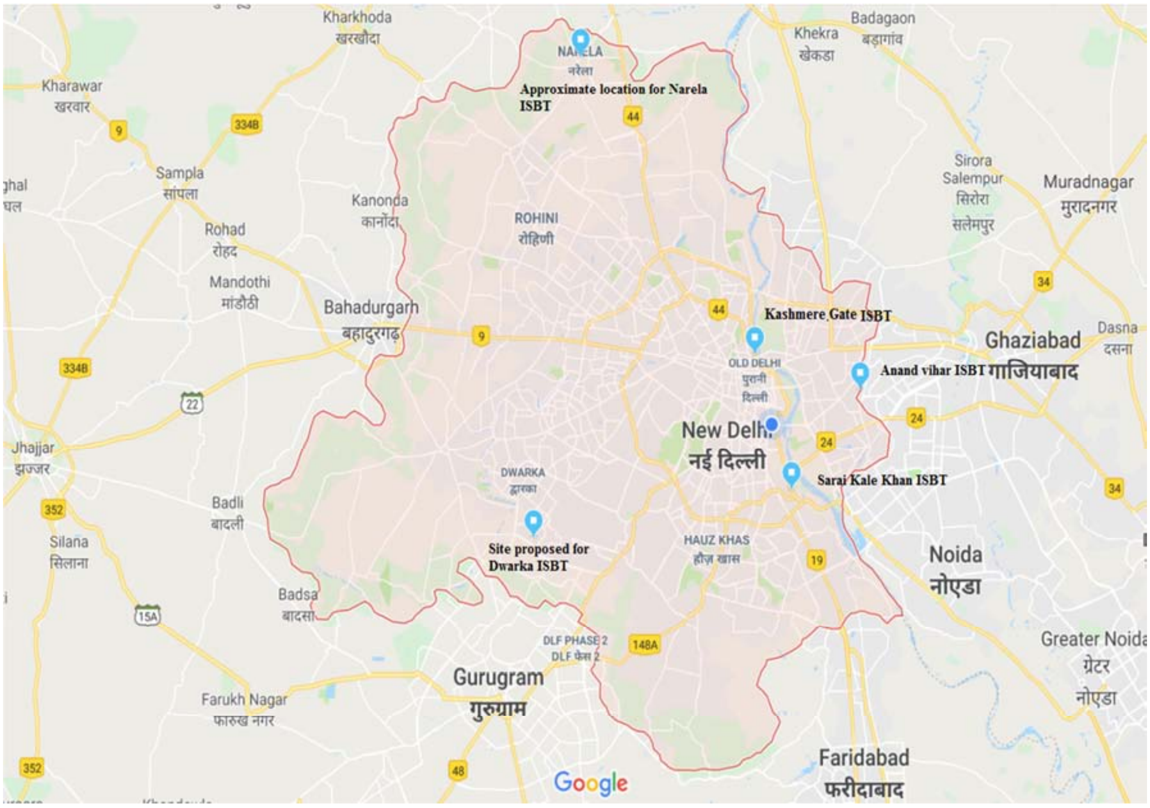
2.2.2.1 (A) Inter-State Bus Terminals

Delhi, being the national capital, attracts people from all the neighbouring states. As a result, there has been constant increase in interstate travel by buses to and from Delhi. ISBT at Kashmere Gate was the first ISBT constructed (1976) in NCT of Delhi, and was maintained by the Delhi Development Authority (DDA) till April 1993. Thereafter, it was transferred (May 1993) to the Transport Department, GNCTD. Subsequently, two more ISBTs were established i.e., one at Anand Vihar in August 1993 and another at Sarai Kale Khan in March 1996.

Under the directions of the Supreme Court of India (1998), a committee called the Environment Pollution (Prevention and Control) Authority (EPCA) for the National Capital Region was formed in January 1998. The EPCA recommended a number of measures for the improvement of air quality in the National Capital Region (NCR), along with time frames. The Supreme Court, after perusing the EPCA report, directed (July 1998) for the entire city bus fleet (DTC and private) to be converted to 'single fuel mode on CNG' by 31 March 2001 and that new ISBTs be built at entry points in the North and South West of Delhi, to avoid pollution due to entry of inter-state buses (running on diesel), by 31 March 2000. Accordingly, two ISBTs were planned at Dwarka and Narela to cater to the buses entering through South-West Delhi and North Delhi. These two ISBTs would then remove the need for inter-state buses to traverse the city and travel to the Sarai Kale Khan and Kashmere Gate ISBTs respectively. However, these ISBTs at Dwarka and Narela are yet to be established, reasons for which are given in subsequent paragraphs.

Thus, NCTD has five ISBTs at various stages of their lifecycle. Out of the five ISBTs, only three ISBTs at Kashmere Gate, Anand Vihar and Sarai Kale Khan are functional, out of which only Kashmere Gate ISBT has a permanent 'Pucca' structure.

Map showing locations of five ISBTs



Source: Google map

With the objective to upgrade the Kashmere Gate ISBT, redevelop two ISBTs at Anand Vihar and Sarai Kale Khan and construct ISBTs at Dwarka and Narela, the Government decided (September 2008) to appoint the Delhi Integrated Metro Transit System (DIMTS) as Project Management Consultant (PMC) for the development/ renovation work of all the five ISBTs. The Transport Department, GNCTD, then signed (June 2010) an agreement with DIMTS for planning, construction, project management, maintenance, design, and implementation, including management of project funds.

Thereafter, DTIDC took over (April 2011) these five projects from the Transport Department. Out of the five projects, no progress was made in four projects i.e., re-development work of two operational ISBTs at Anand Vihar and Sarai Kale Khan and construction of two new ISBTs at Dwarka and Narela, till August 2016. Afterwards, the Government initiated (August 2016) a proposal to hand over three projects (Sarai Kale Khan ISBT, Anand Vihar ISBT and Dwarka ISBT) from DTIDC to Public Works Department (PWD) but final decision was yet to be taken as of July 2019. Thus, DTIDC is presently responsible for only the maintenance of three operational ISBTs besides completion of upgradation project of Kashmere Gate ISBT and development of Narela ISBT, for which land is yet to be allotted.

The Government, while proposing to transfer the works to PWD, also stated that PWD will reimburse the expenditure of ₹14.46 crore already incurred by

DTIDC on consultancy fee for the three projects, but DTIDC has not taken any action to recover the amount till date (January 2019). Further, since the PWD informed (October 2016) DTIDC that the existing PMC agreements with DIMTS may be terminated as those would not be utilised by the PWD, the expenditure incurred on consultancy fee was rendered wasteful.

Projects of upgradation/re-development/development of ISBTs

The observations regarding deficiencies in the implementation of upgradation/re-development/development projects of five ISBTs are discussed in the succeeding paragraphs:

(a) Upgradation project of Kashmere Gate ISBT

Subsequent to the Government's decision (September 2008) to appoint DIMTS as PMC for the project, the Transport Department, GNCTD, signed (June 2010) an agreement[58] with DIMTS. Thereafter, DIMTS awarded (July 2010) the work of upgradation of Kashmere Gate ISBT, which included arrival block, departure block and office block, to a contractor 'A' for ₹ 73.19 crore, to be completed by March 2011.

The project was initially delayed as it was decided to not undertake any new construction works keeping in view the upcoming Commonwealth Games in October 2010. Subsequently, though the upgradation work of the Arrival and Departure block of the ISBT was completed and inaugurated in May 2013[59], upgradation work of the Office block was yet to be completed (July 2019). Audit observed that upgradation work of the office block was inordinately delayed due to failure of DTIDC to provide required workfronts to the contractor.

The premises were occupied by various offices, including DTIDC's own office, Haryana Roadways, and Delhi Pollution Control Committee etc.

Subsequently, the original agreement with contractor 'A' was closed[60] (June 2017) and DTIDC entered (June 2017) into a supplementary agreement

[58] As per the agreement, DoT/DTIDC shall deposit sufficient funds in advance in the Project Fund for payment of bills of the contractor, PMC's remunerations and other expenses related to the Project. The copies of such bills duly certified along with the statement of utilisation of Project fund shall be submitted to DoT/DTIDC on monthly basis by the PMC.

[59] After delays due to various reasons such as non-availability of drawings/existing services at the ISBT and resultant repeated revision in project specifications, heavy movement of buses and unmanageable rush/movement of terminal users in functioning ISBT etc.

[60] It was stated that it was imperative to extend the validity of contract, failing which DTIDC shall be contractually liable to settle all financial claims that have accrued so far and any subsequent defaults. Later, DIMTS proposed closing the original agreement stating that the following were the advantages:

- Opportunity to resume execution of balance work immediately
- Construction on rates awarded in 2010
- Pending works can be completed within ceiling of original work
- Opportunity for negotiation

(for balance works amounting to ₹ 6.41 crore) as per provisions[61] of the CPWD manual with stipulation to complete the remaining work within six months. However, none of the records produced to audit indicated any justification for entering into the Supplementary Agreement without ensuring availability of the required work fronts.

Thus, inability of DTIDC to ensure timely delivery of work fronts to the contractor has delayed the project for upgradation of Kashmere Gate ISBT by more than eight years and has resulted in raising of claims of ₹ 113.80 crore as escalation cost by the contractor and DIMTS.

Meanwhile, attributing the delays to DTIDC, contractor 'A' submitted (December 2016) claim of ₹ 112.07 crore as escalation cost and DIMTS also claimed (August 2013) ₹ 1.73 crore as its additional consultancy fee for the period beyond the contract period. Thus, due to failure of DTIDC to provide work fronts in a timely manner, with resultant delays, additional claims of ₹ 113.80 crore were raised[62] against it by the affected parties.

Also, the agreement signed between DoT and DTIDC stipulated submission of progress reports and statement of utilisation of Project fund by DIMTS (PMC) to DoT/DTIDC on periodical basis. However, audit observed that DTIDC did not seek the progress reports and expenditure details from DIMTS periodically, and nor did DIMTS submit the same. In the absence of details of payments released by DIMTS, DTIDC was not in a position to efficiently monitor the progress of the upgradation project or reconcile utilisation of project funds.

In its reply, DTIDC stated (January 2019) that notices were issued and meetings were held with the departments having offices in ISBT wing to vacate/shift premises to complete the renovation work. The reply further stated that the work as given in the supplementary agreement was almost completed, except obtaining NOCs from local bodies like fire services etc. It was also stated that DTIDC had not made any cost escalation payments to the work executing agencies.

DTIDC failed to complete the upgradation even after more than eight years of the stipulated date of completion.

The reply is not tenable as DTIDC did not produce any supporting documents i.e., minutes of the meetings or copies of notices issued to departments who had not vacated the premises. It was also observed that as late as June 2019, DIMTS had reported non-availability of work fronts[63]. Besides this, DTIDC had

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61 As per CPWD Works Manual, Supplementary Agreements are entered into where it is not desirable to keep the complete contract open for minor items or certain pre-requisition which are not the responsibility of the contractor etc.

62 No payments were released by DTIDC on this account

63 DTIDC office and Haryana Roadways

granted (July 2019) further provisional extension of time for the supplementary agreement up to 31st August 2019.

DTIDC should ensure that the upgradation work of Kashmere Gate ISBT is completed in a time bound manner since the project initially stipulated to be completed by March 2011 has still not been completed till date (July 2019) even after taking over of the work by DTIDC in April 2011. DTIDC should also fix responsibility for signing of the supplementary agreement without ensuring availability of work fronts.

(b) Projects of Re-development of ISBTs at Anand Vihar and Sarai Kale Khan

ISBTs at Anand Vihar and Sarai Kale Khan were developed in August 1993 and March 1996 respectively, in the form of bus terminals with temporary bus shed structures. The Government approved (September 2008) the re-development of these two ISBTs and the appointment of DIMTS as PMC for the projects. As of September 2008, the total outlay for the Anand Vihar project was ₹ 196.28 crore and for Sarai Kale Khan Project it was ₹ 202.17 crore. In April 2011, DTIDC took over these two projects from the Transport Department as the nodal agency and signed (June 2011) fresh agreements with DIMTS.

However, considerable progress was not made in both the projects till August 2016 when the Government initiated a proposal to hand over these two projects to PWD. However, the rationale behind the decision to transfer these works from DTIDC, which was an agency established mainly for development and operations of ISBTs, to PWD, was not documented in any of the records made available to audit and nor was any explanation provided in reply to the audit queries.

The details regarding the two projects are given in the Table below:

Sarai Kale Khan ISBT	Anand Vihar ISBT
The Sarai Kale Khan ISBT project was delayed since the site had initially been specified (February 2007) as "District Park" in Master Plan Delhi (MPD) 2021. DTIDC requested DDA for change of land use to "Transportation" in November 2012 i.e., 19 months after taking over the project. The change of land-use was approved only in February 2015 after which the building plans were submitted (August 2015) to South Delhi Municipal Corporation (SDMC) for sanction, which	The Anand Vihar ISBT project was approved (September 2008) and was under DoT, which was responsible for obtaining the approvals from statutory authorities. In April 2011, DTIDC took over the project from DoT and continued pursuance for the approvals from statutory authorities. However, before all the statutory approvals could be obtained and tenders floated, Delhi Metro Rail Corporation (DMRC) requested (January 2013) for allotment of land out of Anand Vihar ISBT project land. The handing over of the land to DMRC was approved by Government and

was awaited as on June 2016. Thereafter, the Government initiated (August 2016) the proposal to handover the project to PWD. Meanwhile, the estimated project cost escalated from ₹ 202.17 crore to ₹ 371.34 crore.	DIMTS was asked (February 2014) to modify the drawings. Subsequently, the modified concept plan with estimated project cost of ₹ 604.88[64] crore was approved (February 2015). However, as per the documents made available to audit, the project architect did not submit the final plans till May 2016 due to non-release of payments by DTIDC to the architect. Thereafter, the Government initiated (August 2016) the proposal to handover the project to PWD.

The Asian Development Bank (ADB) had sanctioned (June 2011) loans of ₹ 298.84 crore (to be utilised by December 2014) for these two projects. However, due to the delays in both the projects, the sanctioned loan could not be drawn by DTIDC. ADB levied Commitment Charges of ₹ 69.95 lakh as per the Agreement conditions. The amount of ₹ 69.95 lakh was paid by National Capital Region Planning Board (NCRPB) and the same amount was claimed (August 2013) by NCRPB from GNCTD, which forwarded the claim to DTIDC. Thereafter, neither DTIDC nor GNCTD had made the payment to NCRPB.

Proposal to hand over development works of these two ISBTs to PWD is yet to be approved.

Thus, even after the lapse of two decades of their establishment, the ISBTs at Anand Vihar and Sarai Kale Khan are still operating from temporary bus shed structures, with inadequate basic infrastructure facilities.

(c) Development of two new ISBTs at Dwarka and Narela

In pursuance of Supreme Court directions (July 1998), two ISBTs were planned at Dwarka and Narela to cater to the buses entering through South-West Delhi and North Delhi and remove the need for interstate buses to traverse the city to reach Sarai Kale Khan and Kashmere Gate ISBTs respectively. The current status of the two ISBTs planned in Dwarka and Narela is as follows:

(i) Dwarka ISBT

The Transport Department, GNCTD, made (March 1997) payment of ₹ 8.17 crore to DDA for 16.11 hectare land in Sector-22, Phase-I, Dwarka for setting up an ISBT. DDA handed over 11 hectares of land to the Transport Department in May 2000 and the balance land was allotted for bus depot in July 2013.

[64] Scope of work was also increased since Floor Area Ratio (FAR) norms were revised by Delhi Development Authority

Audit further noted that a techno-economic feasibility study for setting up of ISBT, Dwarka, was conducted (June 2008) by DIMTS which provided cost estimates of ₹ 241.63 crore for the project, but no further action was taken for more than five years by the Transport Department, or DTIDC after its taking over (April 2011) the role as the nodal agency for development of ISBTs.

Records produced to audit did not indicate any action taken by DTIDC from April 2011 to December 2013, till the time bids were invited (December 2013) for planning and designing of Multi-Modal Transit facility at Sector-22, Dwarka. The successful bidder was appointed (October 2014) as architect for the project. The concept plan prepared by the architect with preliminary cost estimates of ₹ 873.78 crore was approved (August 2015) by the Board of DTIDC and all necessary clearances were targeted to be obtained by August 2016. However, before the project of development of Dwarka ISBT could start, the Government initiated a proposal to transfer the project (August 2016) from DTIDC to PWD along with the other projects of ISBTs at Anand Vihar and Sarai Kale Khan.

In its replies, DTIDC was silent regarding the reasons for delay in inviting bids for Architect. There has been no progress for the last three years since the final decision was yet to be taken regarding the proposal for transferring the work to PWD.

DTIDC took two and a half years for inviting the bids for planning and designing the project and then another one and a half years for approving the preliminary cost estimates.

(ii) Narela ISBT

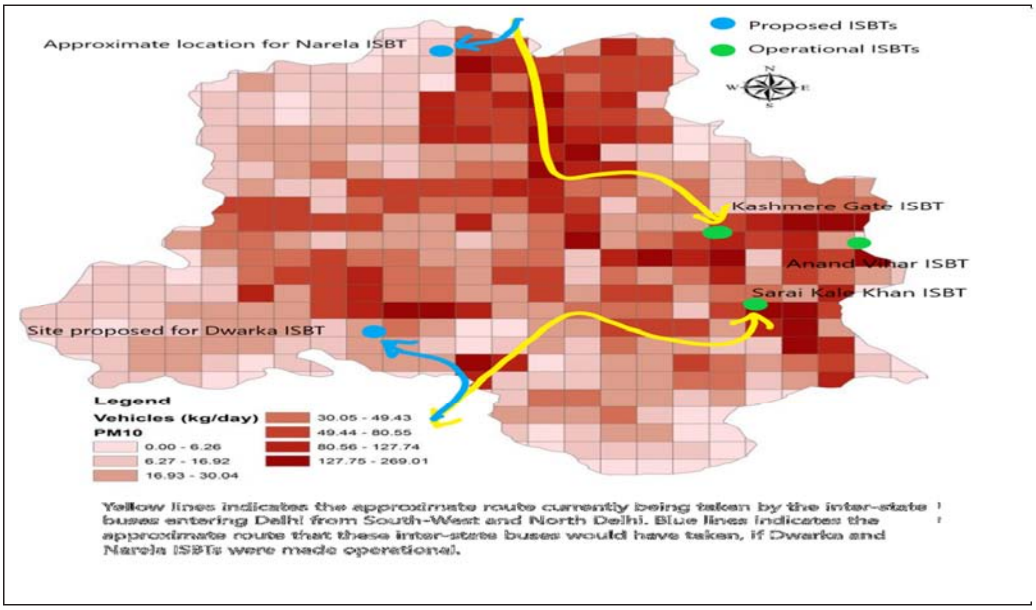
Transport Department, GNCTD, released[65] payment of ₹ 10.30 crore to DDA for eight hectares of land allotted (September 2006) at Narela for development of ISBT. The first site allotted was withdrawn (February 2007) by DDA and the second site allotted (June 2007) was found encroached (August 2007).

In October 2007, the High Court directed DDA to immediately hand over an alternate site for ISBT at Narela and the Transport Commissioner also requested (October 2007) DDA to hand over possession of an alternate site as per the court's directions. There was no active persuasion by GNCTD or by DTIDC for the next five years to get possession of the land. DDA offered (January 2013) an alternate site but DTIDC surveyed the site only in November 2017 and found that it had also been encroached. DTIDC then requested (December 2017) DDA to remove the encroachment, after which no further progress was made as of September 2018. Besides, there was blocking

[65] ₹ 3.92 crore in October 2003 and ₹ 6.38 crore in May 2007

of funds of ₹ 10.30 crore paid to DDA and further loss of interest of ₹ 6.03 crore[66].

DTIDC replied (January 2019) that as and when the litigation free land would be allotted by DDA, it will proceed for development of ISBT at Narela. The reply is however silent about why more than four years were taken by DTIDC in surveying the land offered by DDA in January 2013.



Source: Report of "Comprehensive Study on Air Pollution and Greenhouse Gases in Delhi" submitted by IIT Kanpur to Department of Environment, Government of NCT of Delhi in January 2016

The objective of reducing air pollution in GNCTD caused by the 516 and 1243 inter-state diesel operated buses on daily basis plying to/from Sarai Kale Khan and Kashmere Gate respectively, arriving from Haryana, Rajasthan, Punjab and Himachal Pradesh, has not been achieved. It is pertinent to mention that both ISBTs at Kashmere Gate and Sarai Kale Khan are major polluted areas in Delhi and that these **diesel operated buses require to travel more than 50,000[67] kms daily within Delhi, which could have been avoided had the ISBTs at Dwarka and Narela been made operational as per directions of Supreme Court.**

Thus, even after the lapse of more than 20 years of the Supreme Court's directions to set up ISBTs at south-west and north entry of Delhi to reduce the air pollution caused by diesel operated inter-state buses, ISBTs envisaged at Dwarka and Narela, which were to be set up to prevent the entry of diesel operated inter-state buses beyond the periphery of Delhi, were not established (July 2019).

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[66] Calculated on the blocked amount of ₹ 10.30 crore on the minimum rate from 7.5 *per cent* to 9.5 *per cent* applicable on fixed deposits during the period

[67] No. of Daily Trips that could be shifted to Dwarka ISBT (516) X One-way Distance from Dwarka ISBT to Sarai Kale Khan ISBT (30 kms) + No. of Daily Trips that could be shifted to Narela ISBT (1243) X One-way Distance from Narela to Kashmere Gate ISBT (31 kms)

2.2.2.1 (B) Operation and Maintenance of ISBTs

The observations regarding deficiencies in the operation and maintenance of three operational ISBTs are discussed in the succeeding paragraphs.

(i) Kiosks/Shops:

There were total 98, 51 and seven shops/kiosks in Kashmere Gate ISBT, Anand Vihar ISBT and Sarai Kale Khan ISBT respectively. Out of these, as on March 2018, while 22 shops were lying vacant for more than two years in Kashmere Gate ISBT, 15 and seven shops in Anand Vihar ISBT and Sarai Kale Khan ISBT respectively were lying vacant for more than one year.

Audit observed that the reserve price for the shops was fixed in a non-transparent manner, without any fixed methodology. On a test-check of the reserve price fixed for shops in tender invited in June 2019, it was observed that shops with smaller size (Shop No. 72 and 73) and indirect approach/minimal frontage had higher reserve price per sq ft against an adjacently located larger shop with direct approach (Shop No. 71).

Table-No. 2.2.1

Shop Details	Size of Shop	Reserve price
Shop No. 71, Arrival block	64.04 sqft	₹ 25,000 (₹ 390 per sqft)
Shop No. 72, Arrival Block	18.19 sqft	₹ 20,000 (₹ 1100 per sqft)
Shop No. 73, Arrival Block	18.19 sqft	₹ 20,000 (₹ 1100 per sqft)

Figure 1: Shops with variation in direct approach

Further, it was observed that the size of some shops/kiosks was unreasonably small, invariably resulting in encroachments on the passage/pathways by the shop owners. An illustrative picture is given below which shows two adjacent shops (allotted size of 27.55 sq ft), one vacant (red) and other one operational (blue). The operational shop has expanded itself to a much bigger area, which indicates poor control of DTIDC on encroachment by the shop owners and also the possibility that the actual size of the shop may be impractical to run a profitable venture.

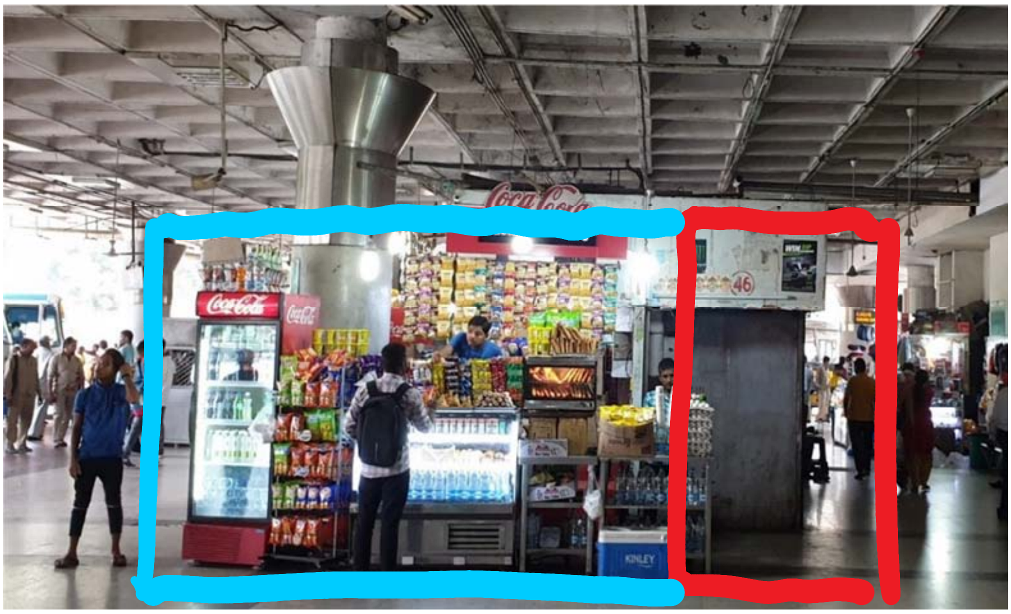


Figure 2 : Original shop area vis-à-vis area covered

Audit had observed encroachments of pedestrian pathways **(Figures 3 and 4)** by most of the occupied shops/kiosks, which cause inconvenience to the smooth movement of commuters.

Figure 3: Items belonging to Kiosks placed in pedestrian pathways

Figure 4: Encroachment by shop owner obstructing the pedestrian pathways

DTIDC replied (January 2019) that at present 22 shops are vacant at Kashmere Gate ISBT for which tender is being floated. Further, regarding encroachment on pedestrian pathways by shopkeepers, it was stated that fines/challans were issued from time to time by the Estate Manager.

DTIDC provides facility to the passengers to lodge complaints against any shop/vendor on the official website. However, it was observed that none of the shops had displayed their unique number, thereby making it difficult to identify any particular shop for complaint purposes. DTIDC replied (January 2019) that most of the shops have a unique number. However, it is now being ensured that the unique number is visible to the general public for complaint purpose, if any.

a. **DTIDC should analyse the reasons for poor response to tenders for the vacant shops and consider reviewing the agreement conditions in order to elicit better response.**

b. **DTIDC may devise a methodlogy to ensure the reasonableness of the reserve price of shops to enable it to attract more bids.**

c. **DTIDC should ensure that there are no encroachments by the shop/kiosk owners.**

- **Shops remained vacant for more than a year at all the ISBTs.**
- **In Sarai Kale Khan ISBT none of the shops/kiosks were occupied.**
- **The space for shops/kiosks were inadequate and encroachment by existing shops was observed.**

(ii) Office spaces:

In Kashmere Gate ISBT, DTIDC has given space in office block on rent to various private and government units. However, there were large outstanding rental dues receivable from both the private as well as government offices. During the period of five years from 2013-14 to 2017-18, the amount of outstanding dues has continuously increased from ₹ 8.08 crore as on 31 March 2014 to ₹ 28.82 crore as on 31 March 2018. Out of ₹ 28.82 crore, amounts of ₹ 15.56 crore (*54 per cent)* and ₹ 7.53 crore (*26 per cent)* were due from DIMTS and Delhi Pollution Control Committee (DPCC) respectively.

The principle of general prudence requires that any commercial space should be rented out at fair market value. However, audit observed that though the DTIDC was aware (August 2012) that market rent in Kashmere Gate area was above ₹ 175 per sqft as against the rate of ₹ 45 per sqft being charged from DIMTS, it increased the rent to ₹ 100 per sqft (in January 2015) only after more than two years. Further, DTIDC approached the PWD only after a gap of six years (February 2018) for assessing the fair market value of the premises rented out to DIMTS, which had never been assessed by the PWD till date.

DTIDC replied (January 2019) that as per the recommendations of the Rent Fixation Committee consisting of independent members of the Public Works Department, GNCTD, and its circular dated 21 December 2018, license fee has been revised w.e.f January 2019. Demand letters have also been issued for deposit of arrears up to 31 December 2018.

(iii) Fire prevention system:

Fire prevention equipment in any public space, especially ISBTs with many buses running on fossil fuel, should be easily accessible for usage in case of an emergency.

Figure 5: Fire Hydrants blocked by Kiosks

It was observed that all three operational ISBTs could not obtain NOC for Fire Department since their upgradation/ redevelopment projects were yet to be completed.

In Kashmere Gate ISBT, it was observed that fire hydrants were installed at certain locations but had been blocked by display goods, dustbins etc. of the shops/kiosks **(Figure 5)**, making them difficult to access in case of a fire incident. Moreover, though upgraded arrival and departure blocks of Kashmere Gate ISBT had been operational for more than five years, DTIDC could not obtain the 'No Objection Certificate' (NOC) from the Fire Department since the office block is yet to be completed.

DTIDC replied (January 2019) that the work of renovation/upgradation of ISBT is in progress and the NOC from the fire department would be obtained after completion of upgradation work of ISBT.

(iv) Public amenities, Housekeeping and security arrangements:

DTIDC undertakes maintenance of three ISBTs through concessionaires appointed for watch and ward, housekeeping and sanitation etc. The audit observations regarding maintenance of public amenities, Housekeeping and security arrangements are as given below.

a. It was observed that in the Kashmere Gate ISBT, all passengers pass through security checkpoint and the baggage is duly screened. However, there was free access and unrestricted movement of commuters in two ISBTs at Anand Vihar and Sarai Kale Khan. Therefore, the security levels in these two ISBTs were much lower than that in the Kashmere Gate ISBT, thereby posing greater risks. DTIDC replied (January 2019) that security guards have been deployed for checking of passengers on both ISBTs. It was also stated that Delhi police have been requested (July 2018) to provide their own baggage scanners for proper screening of baggage.

b. Unlike Kashmere Gate, pedestrians and commuters at both the ISBTs at Anand Vihar and Sarai Kale Khan have to make their way through moving traffic. The absence of designated pedestrian crossing facilities thus poses a risk to the safety of pedestrians (**Figures 6 and 7**). DTIDC replied (January 2019) that both the ISBTs are presently running with temporary infrastructure and a separate passage had been developed (January 2019) for pedestrian entry at ISBT Sarai Kale Khan.

Figure 6: Pedestrian movement at SKK ISBT

Figure 7: Pedestrian movement at AV ISBT

c. Similarly, in comparison with Kashmere Gate ISBT, public amenities such as general cleanliness **(Figure 8)**, seating space **(Figure 9)** were inadequate, insufficent and in poor condition in ISBTs at Anand Vihar and Sarai Kale Khan. DTIDC replied (January 2019) that seating space is being increased by providing benches. Moreover, suggestion/observations of audit have been noted for compliance.

Figure 8: Accumulation of garbage at AV ISBT

Figure 9: Broken chairs at waiting hall in SKK ISBT

d. It was observed, as shown below, that washrooms were in poor condition in Sarai Kale Khan ISBT in comparison with Anand Vihar ISBT and Kashmere Gate ISBT.

Figure 10: Sarai Kale Khan ISBT

Figure 11: Anand Vihar ISBT

Figure 12: Kashmere Gate ISBT

2.2.2.2 Bus Queue Shelters

The Transport Department, GNCTD, assigned (August 2012) DTIDC the responsibility to construct and maintain all[68] the BQSs in Delhi. DTIDC had to sign a supplementary agreement with all the concessionaires[69] for execution of the obligations of the Transport Department/Delhi Transport Corporation (DTC) and realisation/receiving of the payments thereof in respect of concession agreements. As on March 2018, DTIDC was maintaining 1594 BQSs, details of which are given in the **Table-2.2.2**:

Table-2.2.2 Details of 1594 BQSs

No. of BQSs	Originally maintained by	Contract till	DTIDC took over on	Currently maintained by	Revenue agreements
431	DoT/Rajdeep Publicity Ltd	March 2017	August 2012	ARC Outdoor Media Ltd. (from December 2017) after expiry of previous contract period	Contract period: 10 years up to December 2027. ₹ 4.14 crore annual fees with 5 *per cent* increase annually.
319	DoT/JC Decaux	April 2032	March 2013	Contracts with JC Decaux continuing till date	39 *per cent* revenue sharing with DTIDC
100	DoT/JC Decaux	April 2032	March 2013	-do-	₹ 1.12 crore annual fees with 5 *per cent* increase annually
238	DoT/JC Decaux	October 2032	March 2013	-do-	₹ 4 crore annual fees with 5 *per cent* increase annually; and 40 *per cent* revenue sharing with DTIDC
100	DoT/JC Decaux	October 2032	March 2013		
250	DIMTS/JC Decaux	April 2030	September 2012	-do-	₹ 2.78 crore annual fees with 5 *per cent* increase annually; and 16 *per cent* revenue sharing with DTIDC
156	DTC/Prabhatam Advertising	April 2014	May 2014	Times Innovative Ltd. (from December 2014) after expiry of previous contract period	₹ 2 crore annual fees with 5 *per cent* increase every year; and 46 *per cent* revenue sharing

[68] Excludes 197 BQSs being maintained by NDMC
[69] The concessionaires are required to maintain the BQSs and share the revenue generated from sale/renting of advertising space with DTIDC.

Scrutiny of the records relating to construction and maintenance of BQSs by DTIDC revealed the following:

(a) Delay in construction of new BQSs

DTIDC has the mandate to construct and maintain all the BQSs in NCT of Delhi. However, though the DTIDC had floated tenders four times for 1173 BQSs in October 2013, for 509 BQSs at locations with better revenue potential, in May 2014, for 1173 BQSs with revised design specifications in February 2015 and for 1397 BQSs in December 2017, none of the tenders could materialise due to no response/poor response of bidders. DTIDC also constituted (May 2018) a committee to re-initiate the process of construction of 1397 BQSs. But no outcome of the committee's efforts was found on record.

Though DTIDC received poor response to tenders and several representations from public for construction of additional BQSs, it did not consider alternate funding methods or approach the Government for funding for construction of BQSs.

DTIDC has not constructed any new BQSs in the last five years.

DTIDC replied (January 2019) that it had made five attempts to identify a vendor who can build BQSs at these places on Public Private Partnership (PPP) mode and tenders were floated in November 2013, June 2014, February 2015 and December 2017. However, the attempts were not successful due to the high cost of stainless steel BQSs, less potential to attract revenue from advertisement proposed locations of 1397 BQSs, or saturation of advertisement potential of BQSs having being reached. They have further stated that the Government will make BQSs through Government funds instead of PPP mode.

(b) Poor condition of BQSs

Audit carried out joint physical verification of 92 BQSs and found that 26 old BQSs which had not been re-designed so far were in shabby condition, depriving the commuters of shelter from sun and rain. Further, in 66 BQSs, audit noted broken tiles, broken roof, non-provision for differently abled friendly access and encroachment by local hawkers, etc. A few illiustrative pictures are given below:

Figure 13 :Old BQS with no seating space

Figure 14: Poorly maintained BQS with broken flooring

Figure 15: BQS with broken roof

Audit also observed that though the agreements with concessionaire requires periodical joint inspection of BQSs by officials of DTIDC and concessionaire, no records of any joint inspections being done were produced to audit.

DTIDC replied (January 2019) that it had floated tenders four times but 26 old BQSs could not be redesigned as there was no response/poor response of bidders. Further, it stated that renovation/upgradation work of remaining 66 BQSs inspected by audit has now been completed and are in good condition for use of commuters.

(c) Loss of ₹ 1.16 crore due to delay in taking over of 157 BQSs

DTC had an agreement with a concessionaire for operation and maintenance of 157 BQSs, which were to be transferred to DTIDC w.e.f. August 2012, along with the right of realisation of revenue share from the concessionaire. Audit, however, observed that DTIDC did not take any action for taking over possession of these BQSs being maintained by DTC through the concessionaire. After the expiry of contract in April 2014, DTC submitted a list of 156 (instead of 157) BQSs (May 2014) to DTIDC since these were lying unattended. Thereafter, DTIDC invited (July 2014) tenders for maintenance of these BQSs on 'as is where is basis' in lieu of advertising rights and the contract was awarded (December 2014) to another concessionaire for seven years.

Thus, though the DTIDC was to take over the BQSs immediately in August 2012, it had not taken any action until April 2014. As a result, 156 BQSs remained unattended for more than six months and also resulted in loss of revenue of ₹ 1.16 crore[70] to DTIDC.

DTIDC replied (January 2019) that DTC handed over the BQSs to DTIDC after completion of concession agreement in April 2014 and requested DTC for removal of deficiencies found during joint physical verification to which DTC declined to cooperate. The tenders were finalised in December 2014 for award of work to the concessionaire.

[70] ₹ 50 lakh (minimum quarterly concession fee)/3x7 months

(d) Failure to ascertain the status of 82 BQSs resulted in blocking of ₹ 8.82 crore

The Transport Department, GNCTD, signed (June 2011) an agreement with a concessionaire for marketing, operation and maintenance of 431 BQSs. There were certain deficiencies in these BQSs which were rectified before they were handed over to the concessionaire in a phased[71] manner. Subsequently, DTIDC took over (August 2012) the operation and maintenance of these 431 BQSs from the Transport Department but did not enter into a supplementary agreement with the concessionaire.

Further, audit noted that DTIDC raised the bills for only 349 BQSs, without ascertaining the status of handing over of the remaining 82 BQSs and raised the bills of ₹ 8.82 crore for 82 BQSs only in February 2017. However, on raising the bills for 82 BQSs, the concessionaire took (April 2018) the matter into arbitration, stating that these BQSs were never handed over to it. The arbitration case was pending as on July 2019.

Moreover, the DTIDC booked the amount of ₹ 8.82 crore as its income in its account in 2016-17, and paid ₹ 2.64 crore as income tax (March 2018) and ₹ 1.32 crore as Service Tax (March 2017) without seeking legal opinion. As a result of non-raising of bills of ₹ 8.82 crore for 82 BQSs in a timely manner, DTIDC also suffered loss of interest of ₹ 1.41[72] crore.

DTIDC replied (January 2019) that upon taking over the charge of 431 BQSs, DTIDC started claiming concession fee for only 349 BQSs. When it was revealed that concession fee of 82 BQSs was to be claimed w.e.f. 01.09.2012, DTIDC raised the bills of ₹ 8.82 crore for 82 BQSs in February 2017 and paid the tax of ₹ 3.96 crore in March 2017 and March 2018 (₹ 1.32 crore as service tax + ₹ 2.64 crore as income tax). DTIDC further added that being a company registered under the Companies Act 1956, the payment of service tax and income tax are mandatory obligations after issuance of bill. Since the matter is sub-judice in arbitration, the decision of recovery of outstanding dues will be taken after the arbitration award.

(e) Non-maintenance of 431 BQSs for six months and loss of revenue of ₹ 2.85 crore due to delay in tendering process

The agreement of operation and maintenance of 431 BQSs allotted to a concessionaire expired between November 2016 to March 2017 in phases[73]. However, the DTIDC invited (January 2017) tenders for the BQSs two months

[71] 157 BQSs on 1 December 2011, 192 BQSs on 1 March 2012 and 82 BQSs on 1 April 2012.

[72] Loss of interest worked out on basis of delay in raising of bills (between September 2012 to January 2017), respective bill value and minimum rate of fixed deposit interest prevailing at the respective time (*7.25 per cent*)

[73] 157 BQSs on 30 November 2016, 192 BQSs on 28 February 2017 and 82 BQSs on 31 March 2017

after expiry of the first batch of 157 BQSs. The tendering procedure took more than six months and all 431 BQSs were finally awarded (October 2017) to the new concessionaire.

DTIDC should have initiated the tendering procedure well in advance before expiry of the agreement. Due to delay in initiating the tendering process in case of 157, 192 and 82 BQSs, the BQSs remained unattended for eleven, eight and six months respectively which also resulted in loss of revenue of ₹ 2.85[74] crore.

DTIDC replied (January 2019) that the agreement of operation and maintenance of 431 BQSs expired on March 2017 and that fresh tenders were floated in January 2017, May 2017, June 2017 and August 2017. The tenders floated in January 2017 and June 2017 were rejected by the Board of Directors of DTIDC due to low rates quoted and no response was received on tenders floated in May 2017. However, the tender floated in August 2017 was awarded in October 2017. It, therefore, stated that there was no delay in initiating the tendering process. The reply is not satisfactory as tenders for 431 BQSs were invited during January 2017 and August 2017, although out of 431 BQSs, agreement for 157 BQSs had expired in November 2016.

Failure to initiate tendering procedure in time resulted in loss of revenue of ₹ 2.85 crore

2.2.3 Financial Management

Accounts of 2017-18 have not been prepared. Accounts for 2016-17 are provisional and are yet to be approved in the Annual General Meeting.

The Working results of the DTIDC for the four years ending 31st March 2017 are given in **Table-2.2.3:**

[74] Calculated on the basis of ₹ 34,56,600 monthly license fee for 248 days (₹ 34,56,600/30X248).

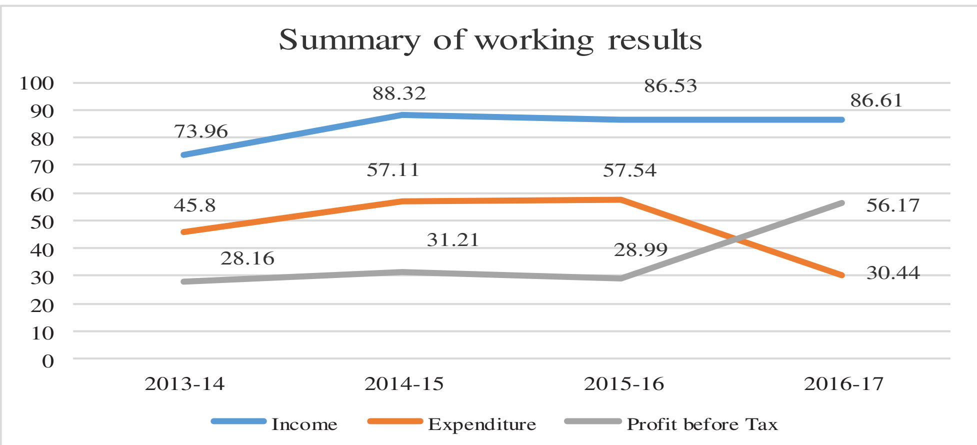
Table-2.2.3: Working results of DTIDC

(₹ In lakh)

Description	**2013-14**	**2014-15**	**2015-16**	**2016-17 (provisional)**
Revenue from operations				
Sales of Goods (Holograms)	101.02	110.80	99.86	97.52
Licence Fee from BQSs	1,657.64	1,716.59	1,990.05	3,293.07
Composite Fee	136.65	259.04	153.86	298.41
Parking Fee	54.00	54.00	54.00	54.00
Stand Fee	1,687.67	1,696.33	1,653.72	1,754.02
Licence Fee (Rent)	696.98	991.81	1,165.88	1,336.20
Other Income	13.60	731.51	173.22	289.32
Income from Interest on FDRs	3,048.77	3,271.54	3,362.63	1,538.87
Total Income (A)	**7,396.33**	**8,831.62**	**8,653.22**	**8,661.41**
Cost of Sales				
Purchase of Stock in trade	1.55	2.97	1.43	1.54
Change in Inventories	0.01	0.01	0.07	(0.07)
Employee Benefit Expenses	703.25	786.38	907.55	701.82
Finance Cost	1,825.10	2,022.42	2,057.27	151.13
Admin, Selling and other Expenses	1,861.11	2,692.51	2,614.89	2,034.00
Depreciation	189.14	206.83	173.15	155.66
Total Expenditure (B)	**4,580.16**	**5,711.12**	**5,754.36**	**3,044.08**
Profit (A-B)	**2,816.17**	**3,120.50**	**2,898.86**	**5,617.33**

The increase in license fee from BQSs during the year 2016-17 was primarily due to DTIDC issuing bills for 82 BQSs (for the period September 2012 to February 2017) for the past four years, which were raised during 2016-17. The increase in 'Other Income' during 2014-15 was on account of receipts from DMRC in lieu of land transfer at Anand Vihar ISBT. Interest on Fixed Deposits Receipts (FDRs) reduced in 2016-17 as ₹ 175.75 crore kept as FDRs was returned to GNCTD with resultant reduction in interest income and finance cost in 2016-17 (details in Para 2.2.3.2). The summary of working results is shown in **Chart-2.2.1:**

Chart-2.2.1



Audit observed that although DTIDC had hired a CA firm to assist in its accounting, the accounting system was weak as several lapses were observed viz., default in filing of income tax returns, underpayments to GNCTD and delays in renewal of fixed deposits and also delay in finalisation of annual accounts.

During scrutiny of records related to financial management by DTIDC, audit observed the following:

2.2.3.1 Avoidable payment of interest of ₹ 2.76 crore due to default/delay in filing of ITR and default/deferment in payment of advance tax

According to the Income Tax Act, 1961 (IT Act), interest is payable for default in furnishing of Income Tax Return (ITR), default in payment of advance tax, and deferment of advance tax. **DTIDC defaulted in timely furnishing of ITR for the financial years (FYs) 2014-15, 2015-16 and 2016-17** and the Income Tax Department issued (March 2018) a notice to DTIDC to furnish a true and correct ITR for the said FYs before 31 March 2018. Accordingly, the DTIDC filed the returns and it had to make payment of interest of ₹ 0.75 crore for default in filing of ITR, ₹ 1.46 crore for default in payment of advance tax and ₹ 0.55 crore for deferment of advance tax, which could have been avoided, had the DTIDC complied with the provisions of IT Act.

Thus, due to default/delay in filing of ITR and default/deferment in payment of advance tax, DTIDC incurred an avoidable expenditure of ₹ 2.76 crore.

Due to delay in filing Income Tax returns for the years 2014-15 to 2016-17, DTIDC had to incur avoidable payment of ₹ 2.76 crore to the tax authorities.

DTIDC did not dispute the audit observation of default/delay in filing the ITR for the financial years 2014-15 to 2016-17. It replied (January 2019) that after the takeover (April 2011) of GM ISBT office (Transport Department, GNCTD) under DTIDC, the Book of Accounts of erstwhile GM ISBT office were required to be kept in double entry system on accrual basis and there was huge volume of past financial data for the consolidation and reconciliation of financial accounting of ISBT office as per the requirement of the Companies Act, 1956. Hence, due to certain circumstances, there was delay in finalisation of accounts and as a result tax compliance could not be completed. The DTIDC further added that it has filed the ITR for the financial year 2017-18 in a timely manner.

DTIDC should strengthen its financial management to ensure timely filing of IT returns.

2.2.3.2 Underpayment of ₹ 25.55 crore to GNCTD

As its contribution towards the construction of the Western and Eastern Peripheral Expressway, GNCTD had released (March 2012) ₹ 175.75 crore to DTIDC for onward release to the Government of India (GoI). However, GNCTD withheld the release of funds to GoI and subsequently directed (February 2016) DTIDC to refund the amount along with the interest earned thereon.

Meanwhile, DTIDC had invested these funds in fixed deposits and earned an interest of ₹ 75.55 crore (up to May 2016). The Company showed the interest as its income and equivalent amount as expenditure (finance cost), resulting in nil tax impact.

Audit, however, observed that against the payable amount of ₹ 251.30 crore (₹ 175.75 crore principal + ₹ 75.55 crore interest), DTIDC refunded (June 2016) only ₹ 225.75 crore and deducted ₹ 25.55 crore against income tax liability on the interest income of ₹ 75.55 crore. **Thus, though the DTIDC neither accounted nor paid the income tax on interest amount, it wrongfully retained ₹ 25.55 crore while repaying the amount to GNCTD.**

DTIDC while refunding the amount for Western and Eastern Peripheral Expressway incorrectly withheld ₹ 25.55 crore for income tax though it never accounted nor paid the same amount to tax

DTIDC replied (January 2019) that it incurred tax liability on the accrued interest income of ₹ 75.55 crore and recovered its tax liability of ₹ 25.55 crore while returning the amount to GNCTD. It also added that there is no outstanding dues towards PWD on this account. The reply is not tenable since DTIDC did not pay income tax on the interest income earned during financial year 2012-13 and no further demand was raised by the Income Tax Department for the financial year 2012-13/Assessment Year 2013-14[75].

DTIDC should ensure correct accounting and timely payment of its dues to avoid payment of penalties for delays.

2.2.3.3 Non-payment of interest of ₹ 59.53 crore to GNCTD

The Transport Department, GNCTD, sanctioned (March 2011 to March 2013) a loan of ₹ 70 crore to DTIDC for modernisation/renovation of Kashmere Gate ISBT, which was to be repaid in 10 annual installments after an initial moratorium of three years. It was observed that though the GNCTD directed (January 2015) DTIDC to repay the loan along with interest immediately, DTIDC repaid (March 2017) only the principal amount and interest of ₹ 39.67 crore was yet to be repaid to GNCTD. Moreover, due to non-payment of interest in time, penal interest of ₹ 5.51 crore is payable to GNCTD.

[75] Till January 2019, ITR had been assessed only up to the Assessment Year 2013-14

DTIDC replied (January 2019) that the matter has been forwarded to the Finance Department, GNCTD, for waiving of interest as well as penal interest. Necessary steps will be taken as per the directions to be received in due course. However, the reply is not tenable as the same request of DTIDC to get interest waiver has already been turned down (June 2015) by GNCTD on the grounds that DTIDC is not revenue constrained.

Besides this, an amount of ₹ 17.49 crore was transferred (August 2010) from the Office of the General Manager, ISBT, to DTIDC along with other assets and liabilities. These funds were for the High Capacity Bus Service (HCBS) project, being implemented by DIMTS and DoT, in which DTIDC had no role in its execution. Audit noted that **funds of ₹ 17.49 crore remained idle with DTIDC till May 2018**, **when these were refunded to GNCTD. However, the interest of ₹ 14.35 crore[76] earned on these funds was not refunded to GNCTD despite instructions that the interest earned on these funds was to be returned for utilisation in the implementation of the project**.

DTIDC replied (January 2019) that interest payment on ₹ 17.49 crore to the Transport Department is under examination and that it will obtain necessary directions from the competent authority for further action.

Thus, DTIDC has not refunded the interest of ₹ 59.53 crore (₹ 39.67 crore + ₹ 5.51 crore + ₹ 14.35 crore) to the GNCTD, and as a result, profit of the DTIDC for the period 2011-12 to 2017-18 was inflated by the same amount.

2.2.3.4 Loss of interest of ₹ 46.36 lakh due to delay in renewing FDRs

General principles of prudence require that prior planning and preparation should be made to ensure that term deposits are reinvested on their maturity without any delay, to avoid loss of interest. Audit, however, noted delays ranging between 16 and 37 days in renewal of term deposits on their maturity, which resulted in interest loss of ₹ 46.36 lakh. Details of the delay in investments of surplus funds are given in **Annexure 2.9**. DTIDC replied (January 2019) that to mobilise the better rate of return on the fixed deposit it had invited rate of interest from PSU banks through newspapers but the process took time to finalise the best interest rate. It also stated that the period includes the demonetisation of currency during 8 November 2016 to 31 March 2017 which was one of the factors for delay. **However, the reply is not satisfactory as DTIDC should have initiated the process of obtaining quotes from the banks in a timely manner to ensure no delay in renewal and loss of interest. Also, none of the cases pointed out by audit pertain to post-demonetisation period and hence that line of argument is not valid.**

Due to inefficient financial management, DTIDC made avoidable payment of ₹ 2.76 crore to the Income Tax Department, lost interest of

[76] Calculated at a minimum rate of interest available on FDRs during the respective years

₹ 0.46 crore on FDRs and incurred liability of ₹ 5.51 crore on account of penal interest to be paid to GNCTD.

DTIDC should have managed the funds prudently to avoid loss of interest due to non-renewal of term deposits.

2.2.4 Management and Monitoring

2.2.4.1 Human Resource Management

Human Resource Management is important for execution of activities of an organisation over a period of time. Audit noted that DTIDC had not prepared any Human Resource (HR) manual or codified rules and regulations for its personnel management such as for establishment matters, recruitment, training, etc. It had also not made any periodic assessment of manpower needs to avoid overstaffing/understaffing/rightsizing.

In this area audit observed the following:

(i) The status of sanctioned manpower *vis-à-vis* actual manpower of the DTIDC as on 31.03.2018 is given in **Table-2.2.4**:

Table-2.2.4: Sanctioned strength and Men-in-Position

Category of Staff	Sanctioned Strength	Men-in-position	Vacant positions	Vacancy percentage
Engineering Staff	27	12	15	56
Non Engineering Staff	58	13	45	78
Total	**85**	**25**	**60**	**71**

Source: Information provided by the DTIDC

Audit noted that all posts of Chief Engineer and Assistant Engineer (Electrical) and five posts of Junior Engineer (Civil) were vacant as of 31 March 2018. Also, key posts including posts of General Manager, Dy. General Manager, Officer on Special Duty (OSD) to Chairman, Assistant Director (P) and superintendent were also lying vacant as of 31 March 2018. Thus, adequate manpower was not in place for crucial operations and for managing the finance and accounting functions of the DTIDC. This in turn has an impact as seen from statutory compliances not being adhered to in a timely manner, delays which occurred in upgradation work and poor progress in follow-up for allotment of land for ISBTs at Narela and Dwarka. Also, record management was poor as indicated by the fact that DTIDC stated that they had held meetings, but they could not produce any copies of minutes of meetings for various issues such as vacating the office block etc.

DTIDC replied (January 2019) that circular to fill the vacancies of engineering and executive staff on deputation basis have been issued from time to time. However, the post of Assistant Director (P) has been filled on deputation w.e.f. 1 August 2018. Request has also been sent to service department for filling up the vacant posts.

(ii) It was also observed that DTIDC was paying the salary for a large number of employees working with the Transport Department, GNCTD for more than one year as on March 2018 and salary of ₹ 1.43 crore to these 24 employees was paid during 2017-18. As DTIDC is a separate legal entity registered under the Companies Act and working on commercial principles, DTIDC should not be making payment of salary for another organisation.

DTIDC replied (January 2019) that these employees are working in DTIDC on foreign service without deputation allowance and the Transport Department is the parent department of these employees. However, the reply is silent about the fact that DTIDC, despite being a separate legal entity, is paying salaries to these work-charged staff who are not working in DTIDC but working with the Transport Department.

(iii) DTIDC was incorporated in August 2010, yet it has not finalised the Recruitment Rules (RRs) till date. In the absence of RRs, the DTIDC has not been appointing regular staff in the Engineering and Non-Engineering cadres and was managing on deputation basis thereby lacking continuity of service in the organisation.

DTIDC replied (January 2019) that framing of recruitment rules of engineering staff is in process and the same would be finalised with the approval of the Board of Directors. The reply is however silent about any timelines for finalisation of RRs although more than seven years have elapsed.

There was 78 *per cent* and 56 *per cent* shortage in Non-Engineering Staff and Engineering Staff respectively. Though it was short staffed yet DTIDC was paying salaries of personnel working in Transport Department.

Thus, the Human Resource management of the DTIDC was deficient and the vacant positions in the Engineering as well as Non-Engineering cadre could have an adverse impact on the operational performance of the DTIDC.

DTIDC may re-examine its human resource requirements for rightsizing and take appropriate action in a time bound manner to fill the vacant posts.

2.2.4.2 Corporate Governance

The Companies Act, 2013 contain provisions for good corporate governance, which denotes a system to direct and control the operations of a company to ensure transparency and timely financial reporting. Audit noted the following deficiencies in the area of Corporate Governance of DTIDC:

(i) Non-appointment of Independent Directors:

DTIDC did not appoint two 'Independent Directors' as required under the provisions of Section 149(4) of the Companies Act 2013, though their presence was mandatory in the Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

DTIDC replied (January 2019) that the proposal for appointment of Independent Directors is under consideration of competent authority i.e. Transport Department.

(ii) Corporate Social Responsibility (CSR):

As per Section 135 of Companies Act 2013, DTIDC was to constitute a CSR committee and was required to incur expenditure in each financial year, at least two *per cent* of average net profit of preceding three financial years, on CSR activities. Audit noted that DTIDC was required to incur expenditure of ₹ 37.89 lakh in 2014-15, ₹ 49.39 lakh in 2015-16 and ₹ 58.90 lakh in 2016-17 aggregating to ₹ 146.18 lakh till 31 March 2017. However, DTIDC had only incurred ₹ 13.53 lakh during 2016-17 which was 9.25 *per cent* of the ₹ 146.18 lakh required to be incurred on CSR activities.

DTIDC replied (January 2019) that it has opened an Escrow Account for the purpose of utilisation of funds towards CSR initiative and the amount of ₹ 70 lakh has been transferred in the account. The Board of Directors has approved the areas of utilisation on which such amount will be spent.

(i) DTIDC may consider appointment of Independent Directors as required under the provisions of the Companies Act, 2013.

(ii) Funds on CSR activities should be incurred as required under the provisions of the Companies Act.

2.2.4.3 Internal Control Mechanism

Internal Control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and orderly manner. Audit noticed that internal control mechanism in DTIDC was inadequate in view of the following deficiencies:

(i) DTIDC did not have any formalised and documented Standard Operating Procedure (SOP) Manuals or Process Manuals, in the absence of which there was no standard procedure for any activity[77] which was to be followed by the employees and company.

(ii) There was no concept of Management Information Systems (MIS) in the company. The preparation and review of monthly MIS is an important process required in any company by the top management for Internal Control purpose.

[77] Due to absence of SOPs there is no time limit set for any of the activities such as finalisation of tenders for deposit works/BQSs, timeline for recoveries of dues and consequent action thereupon.

(iii) The accounts of DTIDC for the years 2016-17 and 2017-18 had not been finalised in contravention of Section 129 of Companies Act, 2013 which provides that financial statements are to be laid in the AGM within six months from the end of the relevant financial year. In absence of the audited financial statements from April 2016 onwards and thereafter, adequacy and effectiveness of the financial controls and accountal of the receipts, expenditure, assets and liabilities including investments and utilisation of funds during the said period could not be vouched for.

(iv) The company did not adhere to Section 139 (1) of the Income Tax Act, 1961 as it failed to file Income Tax Return for the financial years 2014-15, 2015-16 and 2016-17 within due dates. The returns for these financial years were filed on 31 March 2018 attracting interest/penalty provision under the Income Tax Act.

(v) DTIDC did not reconcile its accounts with concessionaires in respect of revenue accruing from Bus Queue Shelters on monthly basis as required.

DTIDC replied (January 2019) that internal control is being followed as per the delegation of powers by the Board of Directors. However, consultation and efforts are on for further improvement and to strengthen the internal control.

Internal Control Mechanism should be strengthened at all levels to ensure financial discipline.

2.2.5 Conclusion

The DTIDC has been in existence for almost eight years now with a mandate to provide and develop transport infrastructure with better facilities and amenities to the passengers and tourists in GNCTD. DTIDC was also to manage and maintain existing as well as new ISBTs and BQSs.

Audit observed that overall the pace of projects of upgradation, re-development of ISBTs has been slow. There has been delay of more than eight years in the upgradation of the Kashmere Gate ISBT. The re-development work on the ground of Anand Vihar and Sarai Kale Khan ISBTs which was taken over by DTIDC in June 2011, had not even started till date with estimated cost escalation of ₹ 198 crore.

Even after lapse of more than 20 years of the Supreme Court directions to establish ISBTs at North and South west entry points of Delhi, ISBTs at Dwarka and Narela could not be established defeating the purpose of reduction in air pollution level caused by interstate diesel buses plying on these routes.

Further, Dwarka ISBT has not been developed even after 18 years of getting possession of land, which has resulted in enhancement of project cost by ₹ 632.15 crore. In Narela ISBT, after releasing payment of ₹ 10.30 crore to DDA, the land for establishment of the ISBT had not been finalised even after the lapse of 11 years.

Since none of the projects have shown intended progress as also the fact that these projects are proposed to be handed over to other agency/PWD; the Government may review whether the Corporation needs to continue to exist especially when the mandate with which the Corporation was set up has not served the intended purpose.

DTIDC also suffered from weak financial management. This is borne out by the payment of interest of ₹ 2.76 crore due to delay/default in filing ITR and delay/deferment in payment of advance tax and loss of interest of ₹ 46.36 lakh due to delay in renewing the fixed deposits. Moreover, DTIDC failed to come up with a solution to construct 1397 BQSs even after the passage of more than five years, thereby depriving the general public of the shelters that they would have provided. The required funds to be incurred under Corporate Social Responsibility had been grossly under-utilised during 2014-15 to 2016-17.

Thus, DTIDC needs to strengthen its financial management. It also needs to ensure timely completion of work of various ISBTs and construction of BQSs for providing necessary amenities to passengers, commuters and tourists travelling by buses in Delhi. The Department of Transport needs to look into these deficiencies to ensure that these are addressed in a systematic and time bound manner.

2.2.6 Recommendations

The DTIDC should:

- Ensure completion of upgradation work of Kashmere Gate ISBT, which has been ongoing for more than eight years, and ensure that the required fire safety regulations are met, by which the NOC from the Fire Department can be obtained.
- Work with DDA proactively to get possession of encroachment free land for establishment of the Narela ISBT (at the northern entry point of Delhi), which has been pending for over 20 years since the Supreme Court directions for its establishment.
- Devise an appropriate methodology to ensure the reasonableness of reserve price of shops in ISBTs, keeping in view their size and location, for maximisation of revenue.
- Consider alternate modes of funding for construction of new BQSs, since the tenders for construction of new BQSs on revenue sharing model has not succeeded despite several attempts.
- Start the tendering process for maintenance of existing BQSs well in time, to ensure finalisation of tenders before the expiry of the existing maintenance contracts.
- Re-examine its human resource requirements for rightsizing and thereafter, take appropriate action in a time-bound manner to fill the vacancies.

Department of Tourism

Delhi Tourism and Transportation Development Corporation Limited

2.3 Loss of revenue

Injudicious decision of DTTDC to enter into an agreement with a firm for the operations of Coffee Home without seeking consent of NDMC (land owning agency) resulted in loss of revenue of ₹ 3.05 crore.

The Delhi Tourism and Transportation Development Corporation Limited (DTTDC) entered into an agreement with firm 'A' on 25 November 2006 for operation and management of the Coffee Home in R.K. Puram for a period of 10 years till 31 March 2016 on monthly license fee basis. DTTDC also signed a Memorandum of Understanding (MoU) with the New Delhi Municipal Corporation (NDMC), which was the owner of the land, on 5 August 2008 for the period upto March 2016. As per the MoU, the licence fee received from the firm 'A' was to be shared on 50:50 basis between DTTDC and NDMC.

Audit noted that firm 'A' informed the DTTDC (September 2014) that they would be unable to run the Coffee Home and handed over the possession of the Coffee Home in March 2015. DTTDC invited bids (January 2015) for selection of a new firm for operation and maintenance of Coffee Home. The operation of the Coffee Home was awarded to firm 'B' for a license fee of ₹ 14 lakh per month for a period of 10 years.

Firm 'B' approached NDMC for issuance of health license to start commercial operations of the Coffee Home. However, the same was not issued by NDMC. Firm 'B' could not start its commercial operation in absence of health license. It filed (March 2016) a petition in the High Court against DTTDC, NDMC and GNCTD. However, the High Court referred (March 2016) the matter to the Chief Secretary, GNCTD for deciding on the disputes citing Clause 9 of MoU dated 5 August 2008 executed between DTTDC and NDMC. The NDMC informed the Chief Secretary, GNCTD (May 2016) that its Council had resolved (December 2015) to approve agreement with firm 'B' subject to the conditions that the revenue would be shared between NDMC and DTTDC in the ratio of 50:50 till 31 March 2016, the entire revenue would be deposited with NDMC and the firm 'B' would have to vacate the premises on 15 April 2025.

The Chief Secretary ordered (July 2016) that the matter for running the Coffee Home beyond 31 March 2016 was to be referred to the NDMC for its consent and signing of fresh MoU between DTTDC and NDMC since the period of new sub-contract went beyond the ten years prescribed in the old MoU. It was further directed that NDMC and DTTDC should adopt the same pattern of revenue sharing i.e. 50:50 and the NDMC would sign a fresh MOU with DTTDC to allow firm 'B' to run the Coffee Home on mutually agreed terms. DTTDC forwarded (August 2016) fresh MoU to NDMC. But MoU was not signed as of November 2018.

The Firm B defaulted in paying monthly license fee. DTTDC then invoked the bank guarantee and got the premises vacated (April 2018) from Firm B.

The Government stated (November 2018) that the Corporation has initiated bidding process for appointment/selection of new operator for the Coffee Home before obtaining consent of NDMC. However, this was done to safeguard the commercial interest of the Corporation as well as of NDMC. The reply of the Government should be seen in light of the fact that the MoU signed between DTTDC and NDMC allowed DTTDC to enter into the agreement with firm 'A' only up to March 2016. Any modification in the terms of MoU including change of firm and extension of time period required prior consent of NDMC. Had DTTDC obtained prior concurrence of NDMC litigation/costs and delay in making the coffee home operational and consequent loss of license fee of ₹ 3.05[78] could have been avoided.

2.4 Undue benefit to the Operator

The DTTDC in contravention of Central Vigilance Commission guidelines, deviated from the tender conditions after award of work, resulting in loss of concession fee amounting to ₹ 0.68 crore and extending undue benefit to the Operator.

Central Vigilance Commission (CVC) Guidelines state that after entering into a contract, any relaxation in the contract terms/tender conditions and specifications should be severely discouraged. However, in exceptional cases where the modifications/amendments are considered absolutely essential, the same should be allowed only after taking into account the financial implications.

DTTDC awarded (10 March 2015) the work for Fine Dining Restaurant with Banquet Facility (Facility) in Dilli Haat, Janak Puri, to a consortium of three proprietors (Operator), at an annual concession fee of ₹ 1.76 crore per annum.

The Operator while submitting (February 2015) its bid had stated that the annual concession fee had been quoted after taking into consideration all terms and conditions and after a careful assessment of the site and all the conditions that may affect the bid. However, on 14 March 2015, after having been awarded the contract, the Operator requested to provide some additional facilities, like dead space near the lawns to install kitchen, adequate office space on nominal charges, permission for putting up temporary structure in lawns, small gate to connect Cafeteria and Fine Dining Restaurant and fit-out time of six months as the fine dining space required 5-6 months to be made operational.

[78] The license fee for the period from 16.10.2015 to 31.03.2018 worked out by the Company as per records - ₹ 4.13 crore reduced by bank guarantee of ₹ 0.50 crore invoked by the Company and ₹ 0.58 crore received from court after disposal of writ petition.

DTTDC constituted (March 2015) a committee to examine the request of the Operator which was of the view that kitchen area was too small to provide satisfactory services to its customers and recommended additional space for kitchen on payment basis. It further opined that fit-out time may also be extended from 45 days to 90 days for obtaining permissions from the DTTDC Engineering wing and other statutory bodies. The DTTDC approved these recommendations and the same was communicated (18 April 2015) to the Operator. In this regard, it is pertinent to mention that in the pre-bid meeting of earlier tender held in June 2014 for the same facility, the issues of inadequacy of space for kitchen, additional space and extension of rent-free fit-out time for renovation of facility from 45 days to four months had been raised by other bidders but were not accepted by DTTDC. Therefore, if considered reasonable, DTTDC should have taken these issues into account while re-tendering.

The Operator was required to form a Special Purpose Vehicle (SPV) to enter into an agreement with DTTDC within 30 days of award of work, i.e. on or before 10 April 2015 and physical possession was also to be handed over to the Operator on the day of signing the agreement. The Operator was to complete Furnishing and Fixture works within 45 days (i.e. up to 25 May 2015) from Effective Date; After completion of work, the date on which DTTDC issued a completion certificate was to be the Commercial Operations date.

Audit observed that the Operator did not adhere to the time limit and formed SPV only on 09 June 2015 with a delay of two months. Physical possession of the Facility was handed over to the Operator on 19 June 2015 without signing of a formal agreement. The DTTDC further extended rent free fit-out time up to 14 October 2015 by considering the Effective Date as 19 June 2015 (date of physical possession of the Facility) and signed agreement with the Operator only on 11 December 2015 (applicable with effect from 15 October 2015) for running the Facility for 10 years.

Thus, DTTDC in contravention of CVC guidelines deviated from the tender conditions after award of work to the Operator and allowed the extension of fit-out time by 142 days (calculated from 26 May 2015) resulting in loss to DTTDC and undue benefit to the Operator of ₹ 0.68 crore[79].

The Government stated (November 2018) that the fit-out time was extended as addition/changes being suggested by the Operator were important for the smooth operation of the Facility to make it commercially viable and the Operator was to obtain permissions from the Engineering Division of DTTDC and other statutory bodies. It further stated that the fit-out time was extended to make the bidding process a success, as the Operator was in a dilemma to continue with his offered bid citing that the operation and management of

[79] ₹1.76 crore x 142 days/365 days

banquet operations in the area was highly competitive and also keeping in view the fact that SPV was formed on 09 June 2015 which was beyond the control of DTTDC.

The reply is not acceptable as the Operator while submitting (February 2015) its bid had stated that the annual concession fee had been quoted after taking into consideration all terms and conditions and after a careful assessment of the site. Deviation from the terms and conditions after awarding the work was in violation of CVC guidelines and also resulted in not giving an equal opportunity to the other bidders.

New Delhi **(LAISRAM ANGAM CHAND SINGH)**

Dated: 13 November 2019 **Principal Accountant General (Audit), Delhi**

Countersigned

New Delhi **(RAJIV MEHRISHI)**

Dated: 18 November 2019 **Comptroller and Auditor General of India**

Annexures

Annexure-1.1.1
(Referred to in paragraph 1.1.6)
Position of Inspection Reports

(Money value ₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2008-09	206	2,645	1,758.51	89	2,265	1,748.24	6	429	413.39	289	4,481	3,093.36
2009-10	289	4,481	3,093.36	108	2,972	2,900.71	11	301	218.47	386	7,152	5,775.60
2010-11	386	7,152	5,775.60	54	2,009	1,831.89	85	564	434.09	355	8,597	7,173.40
2011-12	355	8,597	7,173.40	96	2,204	3,079.27	24	657	394.02	427	10,144	9,858.65
2012-13	427	10,144	9,858.65	104	1,610	1,209.64	62	520	571.99	469	11,234	10,496.31
2013-14	469	11,234	10,496.31	92	790	1,099.45	3	83	0.00	558	11,941	11,595.76
2014-15	558	11,941	11,595.76	76	506	159.57	15	159	7.40	619	12,288	11,747.93
2015-16	619	12,288	11,747.93	80	458	52.23	9	129	4.12	690	12,617	11,796.04
2016-17	690	12,617	11,796.04	111	650	169.04	11	357	484.30	790	12,910	11,480.78
2017-18	790	12,910	11,480.78	70	499	1,038.00	9	3,879	5,383.67	851	9,530	7,135.11

Annexure-1.1.2
(Referred to in paragraph 1.1.7)
Position of paragraphs included, accepted and the amount recovered

(₹ in crore)

Year of Audit Report	Number of Paragraphs included	Money value of the Paragraphs	Number of Paragraphs accepted	Money value accepted	Amount recovered during the year 2017-18	Cumulative position of recovery of accepted cases as of 31 March 2018	Percentage of recovery
2007-08	11	945.52	7	28.17	-	0.18	0.64
2008-09	15	1,729.62	7	109.00	-	0.14	0.13
2009-10	18	1,764.20	5	49.36	-	0.39	0.79
2010-11	15	1,479.98	4	58.00	-	0.06	0.10
2011-12	17	2,363.11	1	19.14	-	1.23	6.43
2012-13	3	536.00	3	70.16	-	00	0.00
2013-14	3	98.39	3	20.83	-	00	0.00
2014-15	1	1.34	1	1.34	-	0.02	1.49
2015-16	4	122.13	4	7.02	-	0.01	0.14
2016-17	7	254.46	7	7.04	-	00	0.00
Total	**94**	**9,294.75**	**42**	**370.06**	**-**	**2.03**	**0.55**

Annexure 2.1

Referred to in Para 2.1.2.8 , Paragraph 2.1.2.9 and Paragraph 2.1.2.13

Summarised financial results of Power Sector Undertakings for the latest year for which accounts are finalised

(₹ in crore)

Sl. No.	Activity and Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest and tax	Net profit/ loss after interest and tax	Turn over	Paid up capital	Capital Employed	Net Worth	Accumulated Profit/ Loss (net of free reserves)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
A.	**Generation**								
1	Indraprastha Power Generation Company Limited	2017-18	136.84	28.64	327.76	736.54	1,280.64	1,166.06	429.82
2	Pragati Power Corporation Limited	2017-18	614.33	211.37	2,665.77	2,074.19	6,205.52	4,217.17	2,143.00
	Sub-total		**751.17**	**240.01**	**2,993.53**	**2,810.73**	**7,486.16**	**5,383.23**	**2,572.82**
B.	**Transmission**								
3	Delhi Transco Limited	2017-18	1,008.84	627.18	1,155.47	3,951.00	4,196.11	2,744.84	-1,206.16
	Sub-total		**1,008.84**	**627.18**	**1,155.47**	**3,951.00**	**4,196.11**	**2,744.84**	**-1,206.16**
C.	**Others**								
4	Delhi Power Company Limited	2016-17	29.36	12.44	29.31	745.05	900.35	-779.11	-1,524.16
5	DSIIDC Energy Limited	2017-18	0.00	0.00	0.00	0.01	0.23	0.23	0.22
	Sub-total		**29.36**	**12.44**	**29.31**	**745.06**	**900.58**	**-778.88**	**-1,523.94**
	Grand total		**1,789.37**	**879.63**	**4,178.31**	**7,506.79**	**12,582.85**	**7,349.19**	**-157.28**

Figures as per latest finalised accounts as on 30 September 2018

DSIIDC Energy has net loss of ₹19,030.

Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. DRE of ₹ 0.30 crore in respect of IPGCL and ₹ 0.02 crore in respect of PPCL was deducted to arrive at the net worth figures.

Annexure 2.2
Referred to in Paragraph 2.1.2.12
Statement showing GNCTD funds infused in the five power sector undertakings since 2001-02 till 31 March 2018

(₹ in crore)

Year	IPGCL			PPCL			DTL			DPCL			DSIIDC Energy Ltd			Total		
	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity
2001-02	0	0	0	0.05	0	0	0	0	0	0.05	0	0	0	0	0	0.10	0	0
2002-03	0	0	0	323.14	0	0	0	0	0	0	0	0	0	0	0	323.14	0	0
2003-04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2006-07	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0
2007-08	0	0	0	635.50	0	0	3,452.00	0	0	0	0	0	0	0	0	4,087.50	0	0
2008-09	0	0	0	464.50	0	0	0	0	0	0	0	0	0	0	0	464.50	0	0
2009-10	497.54	0	0	0	0	0	0	0	0	0	0	0	0	0	0	497.54	0	0
2010-11	0	0	0	0	0	0	239.00	0	0	0	0	0	0	0	0	239.00	0	0
2011-12	50	0	0	400.00	0	0	0	0	0	0	0	0	0	0	0	450.00	0	0
2012-13	49	0	0	250.00	0	0	0	0	0	0	0	0	0	0	0	299.00	0	0
2013-14	0	0	0	0	0	0	0	0	0	745.00	0	0	0	0	0	745.00	0	0
2014-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**596.54**	**0**	**0**	**2,074.19**	**0**	**0**	**3,691.00**	**0**	**0**	**745.05**	**0**	**0**	**0**	**0**	**0**	**7,106.78**	**0**	**0**

Annexure-2.3
(Referred to in paragraph 2.1.3.3)
Statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2018

(₹ in crore)

Sl. No.	Sector and Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GNCTD	GoI	Others	Total	GNCTD	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
A	**Social Sector**										
1	Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited	Finance	January 1983	25.92	0	0	25.92	0.92	19.33	0	20.25
2	Delhi State Civil Supplies Corporation Limited	Services	November 1980	7.00	0	0	7.00	2.14	0	0	2.14
	Total A			**32.92**	**0**	**0**	**32.92**	**3.06**	**19.33**	**0.00**	**22.39**
B	**Competitive Environment**										
3	Delhi State Industrial and Infrastructure Development Corporation Limited	Infrastructure	February 1971	21.00	0	0	21.00	0	0	0	0
4	Delhi Tourism and Transportation Development Corporation Limited	Services	December 1975	6.28	0	0	6.28	0	0	0	0
5	Delhi Creative Arts Limited	Services	May 2011	0	0	0.01	0.01	0	0	0.04	0.04
6	DSIIDC Liquor Limited	Services	May 2011	0	0	0.01	0.01	0	0	0	0
7	DSIIDC Maintenance Services Limited	Services	May 2011	0	0	0.01	0.01	0	0	0	0
8	Delhi Transport and Infrastructure Development Corporation Limited	Transport	August 2010	10.65	0	0	10.65	60	0	0	60
	Total B-I			**37.93**	**0**	**0.03**	**37.96**	**60.00**	**0.00**	**0.04**	**60.04**

Sl. No.	Sector and Name of the PSU	Name of the Department	Month and year of incorporation	Equity at close of the year 2017-18				Long term loans outstanding at close of the year 2017-18			
				GNCTD	GoI	Others	Total	GNCTD	GoI	Others	Total
9	Delhi Financial Corporation	Finance	April 1967	18.05	0	8.43	26.48	33.00	0	9.67	42.67
10	Delhi Transport Corporation	Transport	November 1971	1,983.85	0	0	1,983.85	11,676.14	0	0	11,676.14
	Total B-II			**2,001.90**	**0**	**8.43**	**2,010.33**	**11,709.14**	**0.00**	**9.67**	**11,718.81**
	Total B (I+II)			**2,039.83**	**0**	**8.46**	**2,048.29**	**11,769.14**	**0.00**	**9.71**	**11,778.85**
C	Others										
11	Geospatial Delhi Limited	Services	May 2008	10.76	0	0	10.76	0	0	0	0
12	Shahjahanabad Redevelopment Corporation	Infrastructure	May 2008	0	0	0	0.00	0	0	0	0
13	NDMC Smart City Limited	Infrastructure	July 2016	0	250.00	0	250.00	0	0	0	0
	Total C			**10.76**	**250.00**	**0**	**260.76**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total (A+B+C)			**2,083.51**	**250.00**	**8.46**	**2,341.97**	**11,772.20**	**19.33**	**9.71**	**11,801.24**

Annexure-2.4

(Referred to in paragraph 2.1.3.7)

Statement showing difference between Finance Accounts of GNCTD and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2018

(₹ in crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of GNCTD			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9	10	11
1	Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited	33.32	60.72	0.00	38.13	69.82	0.00	-4.81	-9.10	0.00
2	Delhi Transport and Infrastructure Development Corporation Limited	10.65	19.83	0.00	106.07	39.56	0.00	-95.42	-19.73	0.00
3	Delhi State Industrial and Infrastructure Development Corporation Limited	21.00	0.00	0.00	21.00	9.24	0.00	0.00	-9.24	0.00

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of GNCTD			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9	10	11
4	Delhi Tourism and Transportation Development Corporation Limited	6.28	0.00	0.00	6.28	3.15	0.00	0.00	-3.15	0.00
5	Delhi State Civil Supplies Corporation Limited	7.00	2.14	0.00	7.00	4.36	0.00	0.00	-2.23	0.00
6	Delhi Transport Corporation	1,983.85	11,676.14	0	1,983.85	27,504.55	0	0.00	-15,828.41	0.00

Annexure–2.5
(Referred to in paragraph 2.1.3.8 (a))
Statement showing position of State Government investment in working State PSUs (other than Power Sector) during the period for which accounts are in arrears

(₹ in crore)

Sl. No.	Name of PSU	Period upto which accounts finalised	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears			
					Equity	Loans	Grants/Subsidy	Total
A	**Government Companies**							
1	Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited	2004-05[1]	2011-12 to 2017-18	25.92	0	50.00	83.08	**133.08**
2	Delhi State Industrial and Infrastructure Development Corporation Limited	2016-17	2017-18	21.00	0	0	0	**0**
3	Delhi State Civil Supplies Corporation Limited	2016-17	2017-18	7.00	0	0	39.40	**39.40**
4	Delhi Transport and Infrastructure Development Corporation Limited	2014-15[2]	2016-17 to 2017-18	10.65	0	0	0	**0**
	Total A			**64.57**	**0**	**50.00**	**122.48**	**172.48**
B	**Statutory Corporation**							
1	Delhi Transport Corporation	2016-17	2017-18	1,983.85	0	**0**	2,021.77	**2,021.77**
	Total B			**1,983.85**	**0**	**0**	**2,021.77**	**2,021.77**
	Grand Total (A+B)			**2,048.42**	**0**	**50**	**2,144.25**	**2,194.25**

[1] The accounts of DSCFDC for the period 2005-06 to 2010-11 were under finalisation as on 30 September 2018.
[2] The accounts of DTIDC for the period 2015-16 were under finalisation as on 30 September 2018.

Annexure-2.6
(Referred to in paragraph 2.1.3.11 and 2.1.3.12)
Summarised financial results of State PSUs (other than Power Sector) for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Sector, Type and Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest and tax	Net profit/loss after tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated profit/loss
1	2	3	4	5	6	7	8	9	10	11
A.	**Social Sector**									
	Working Government Companies									
1	Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited	2004-05	2017-18	0.16	-0.46	3.53	25.92	72.69	52.44	26.52
2	Delhi State Civil Supplies Corporation Limited	2016-17	2017-18	-2.40	-1.43	877.06	7.00	37.20	35.06	28.06
	Total A			**-2.24**	**-1.89**	**880.59**	**32.92**	**109.89**	**87.50**	**54.58**
B.	**Competitive Environment Sector**									
	1. Working government companies									
3	Delhi State Industrial and Infrastructure Development Corporation Limited	2016-17	2017-18	83.48	37.98	1,028.83	21.00	612.59	612.59	591.59
4	Delhi Tourism and Transportation Development Corporation Limited	2017-18	2018-19	30.93	19.32	1,121.74	6.28	143.02	143.02	136.74
5	Delhi Creative Arts Limited	2017-18	2018-19	0.00	0	0	0.01	0	-0.04	-0.05
6	DSIIDC Liquor Limited	2017-18	2018-19	0.00	0	0	0.01	-0.04	-0.04	-0.05
7	DSIIDC Maintenance Services Limited	2017-18	2018-19	0.00	0	0	0.01	-0.07	-0.07	-0.08
8	Delhi Transport and Infrastructure Development Corporation Limited	2014-15	2017-18	50.94	9.29	48.29	10.65	82.65	46.65	36.00
	Total B 1			**165.35**	**66.59**	**2,198.86**	**37.96**	**838.15**	802.11	**764.15**

Sl. No.	Sector, Type and Name of the PSU	Period of accounts	Year in which finalised	Net profit/ loss before dividend, interest and tax	Net profit/loss after tax	Turn over	Paid up capital	Capital employed	Net Worth	Accumulated profit/loss
	2. Working government corporations									
9	Delhi Financial Corporation	2016-17	2017-18	6.89	0.81	15.28	26.48	76.32	33.65	7.17
10	Delhi Transport Corporation	2016-17	2017-18	6.58	(-) 3,843.62	839.10	1,983.85	-15,483.50	-27,159.64	-29,143.49
	Total B II			**13.47**	**(-) 3,842.81**	**854.38**	**2,010.33**	**-15,407.20**	**-27,125.99**	**-29,136.32**
	Total (B I + B II)			**178.82**	**(-) 3,776.22**	**3,053.24**	**2,048.29**	**-14,569.03**	**-26,323.88**	**-28,372.17**
C.	**Others**									
11	Geospatial Delhi Limited	2017-18	2018-19	4.00	2.92	6.92	10.76	20.60	20.6	9.84
12	Shahjahanabad Redevelopment Corporation	2017-18	2018-19	0.00	0	0	0	0	0	0
13	NDMC Smart City Limited	2016-17	2018-19	-14.27	-14.27	0	250.00	235.73	235.73	-14.27
	Total C			**-10.27**	**-11.35**	**6.92**	**260.76**	**256.33**	**256.33**	**-4.43**
	Grand Total (A+B+C)			**166.31**	**(-) 3,789.46**	**3,940.75**	**2,341.97**	**-14,202.81**	**-25,980.05**	**-28,322.02**
i	**Working Government Companies**			**152.84**	**53.35**	**3,086.37**	**331.64**	**1,204.37**	**1,145.94**	**814.30**
ii	**Statutory Corporations**			**13.47**	**(-) 3,842.81**	**854.38**	**2,010.33**	**-15,407.20**	**-27,125.99**	**-29,136.32**

Annexure–2.7

(Referred to in Paragraph 2.1.3.15)

Statement showing State Government funds infused in State PSUs (other than Power Sector) during the period from 2000-01 to 2017-18

(₹ in crore)

A. Social Sector (1 and 2) and B. Competitive Environment Sector (3, 4 and 5)										
Sl. No.	**1**		**2**		**3**		**4**		**5**	
Year	**Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited**		**Delhi State Civil Supplies Corporation Limited**		**Delhi State Industrial and Infrastructure Development Corporation Limited**		**Delhi Tourism and Transportation Development Corporation Limited**		**Delhi Creative Arts Limited**	
	Equity	**IFL**	**Equity**	**IFL**	**Equity**	**IFL**	**Equity**	**IFL**	**Equity**	**IFL**
Since inception to 2002	25.92	0	7.00	0	21.86	0	6.28	0	0	0
2002-03	0	0	0	0	0	0	0	0	0	0
2003-04	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	0	0
2006-07	0	0	0	0	0.29	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	0	0
2008-09	0	0	0	0	0	0	0	0	0	0
2009-10	0	0	0	0	0	0	0	0	0	0
2010-11	0	0	0	0	0	0	0	0	0	0
2011-12	0	0	0	0	0	0	0	0	0.01	0
2012-13	0	50.00	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	0	0	0	0
2014-15	0	6.00	0	0	-1.15	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0	0	0	0
Total	**25.92**	**56.00**	**7.00**	**0**	**21.00**	**0**	**6.28**	**0**	**0.01**	**0**

B. Competitive Environment Sector										
Sl. No.	**6**		**7**		**8**		**9**		**10**	
Year	**DSIIDC Liquor Limited**[3]		**DSIIDC Maintenance Services Limited**		**Delhi Transport and Infrastructure Development Corporation Limited**		**Delhi Financial Corporation**		**Delhi Transport Corporation**	
	Equity	**IFL**	**Equity**	**IFL**	**Equity**	**IFL**	**Equity**	**IFL**	**Equity**	**IFL**
Since inception to 2002	0	0	0	0	0	0	18.05	0	117.00	0
2002-03	0	0	0	0	0	0	0	0	0	0
2003-04	0	0	0	0	0	0	0	0	0	0
2004-05	0	0	0	0	0	0	0	0	0	0
2005-06	0	0	0	0	0	0	0	0	0	0
2006-07	0	0	0	0	0	0	0	0	0	0
2007-08	0	0	0	0	0	0	0	0	377.30	0
2008-09	0	0	0	0	0	0	0	0	250.00	0
2009-10	0	0	0	0	0	0	0	0	620.00	0
2010-11	0	0	0	0	0	0	0	0	219.00	0
2011-12	0.01	0	0.01	0	10.65	0	0	40.00	201.00	0
2012-13	0	0	0	0	0	0	0	0	199.55	0
2013-14	0	0	0	0	0	0	0	0	0	0
2014-15	0	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0	0	0	0
Total	**0.01**	**0**	**0.01**	**0**	**10.65**	**0**	**18.05**	**40.00**	**1,983.85**	**0**

[3] Equity contribution in case of DSIIDC Maintenance Services Limited, DSIIDC Liquor Limited and Delhi Creative Arts Limited has been made by the holding company i.e. DSIISC

Sl. No.	11		12		13	
Year	**Geospatial Delhi Limited**		**Shahjahanabad Redevelopment Corporation**		**NDMC Smart City Limited[4]**	
	Equity	**IFL**	**Equity***	**IFL**	**Equity**	**IFL**
Since inception to 2002	0	0	0	0	0	0
2002-03	0	0	0	0	0	0
2003-04	0	0	0	0	0	0
2004-05	0	0	0	0	0	0
2005-06	0	0	0	0	0	0
2006-07	0	0	0	0	0	0
2007-08	0	0	0	0	0	0
2008-09	0.05	0	0	0	0	0
2009-10	10.71	0	0	0	0	0
2010-11	0	0	0	0	0	0
2011-12	0	0	0	0	0	0
2012-13	0	0	0	0	0	0
2013-14	0	1	0	0	0	0
2014-15	0	1	0	0	0	0
2015-16	0	0	0	0	0	0
2016-17	0	0	0	0	250.00	0
2017-18	0	0	0	0	0	0
Total	**10.76**	**2**	**0**	**0**	**250.00**	**0**

[4] The investment in NDMC Smart City Limited is made by GoI. No investment made by GNCTD.

Annexure-2.8
(Referred to in paragraph no. 2.1.3.15)
Year wise details of investment by the GNCTD and present value of Government investment for the period from 2002-03 to 2017-18 excluding DTC

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Interest free loans given by the state government during the year	Total investment during the year	Average rate of interest on government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii* (1+ vi/100)}	ix={vii*vi)/100}	x
2002-03		79.11	0	79.11	11.17	79.11	87.95	8.84	23.48
2003-04	87.95	0	0	0	10.65	87.95	97.31	9.37	12.07
2004-05	97.31	0	0	0	10.34	97.31	107.38	10.06	16.70
2005-06	107.38	0	0	0	8.87	107.38	116.90	9.52	21.60
2006-07	116.90	0.29	0	0.29	9.35	117.19	128.15	10.96	28.44
2007-08	128.15	0	0	0	9.84	128.15	140.76	12.61	48.77
2008-09	140.76	0.05	0	0.05	9.90	140.81	154.75	13.94	-2.25
2009-10	154.75	10.71	0	10.71	9.52	165.46	181.21	15.75	31.10
2010-11	181.21	0	0	0	9.10	181.21	197.70	16.49	64.42
2011-12	197.70	10.65	40.00	50.65	9.77	248.35	272.61	24.26	149.54
2012-13	272.61	0	50.00	50.00	9.73	322.61	354.00	31.39	184.82
2013-14	354.00	0	1.00	1.00	9.21	355.00	387.70	32.70	120.75
2014-15	387.70	-1.15	7.00	5.85	8.59	393.55	427.35	33.81	123.76
2015-16	427.35	0	0	0	8.54	427.35	463.85	36.50	115.32
2016-17	463.85	0	0	0	8.65	463.85	503.97	40.12	30.36
2017-18	503.97	0	0	0	8.58	503.97	547.21	43.24	68.43
Total		**99.66**	**98.00**	**197.66**					

Annexure-2.9
(Referred to in paragraph no. 2.2.3.4)
Details of delay in investment of funds

(₹ in lakh)

Value of original FD (₹)	Date of Maturity	Value of renewed FD (₹)	Date of Renewal	Delay in Days	Loss of Interest (₹)
1,500	04.05.2013	1,500	23.05.2013	19	7.02
1,000	30.05.2016	1,081	24.06.2016	25	5.29
1,000	31.05.2016	1,081	24.06.2016	24	5.08
259	01.06.2016	279	24.06.2016	23	1.25
370	01.06.2016	400	24.06.2016	23	1.80
3,232	26.04.2017	3,426	02.06.2017	37	18.23
95.79	15.02.2017	90	03.03.2017	16	0.28
52.72	13.02.2017	90	03.03.2017	18	0.31
50	12.02.2017	33.04	03.03.2017	19	0.12
2,843	24.06.2017	3,032	10.07.2017	16	6.98
Total					**46.36**

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