

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

FOR THE YEAR ENDED 31 MARCH 1991

NO.3 OF 1992

**UNION GOVERNMENT
(DELHI ADMINISTRATION)**

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDING 31 MARCH 1951
AND FOR 1950

INDIAN GOVERNMENT
(DELHI ADMINISTRATION)

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PREFATORY REMARKS

This Report for the year ended 31 March 1991 has been prepared for submission to the President under Article 151 of the Constitution. It relates mainly to matters arising from test audit of the financial transactions of the Departments of the Delhi Administration and the Delhi Development Authority.

2. This Report contains 57 paragraphs including 3 reviews.

3. The cases mentioned in this Report are those which came to notice in the course of audit during the year 1990-91 and early part of 1991-92 as well as those which had come to notice in the earlier years but could not be dealt with in the previous Report. Matters relating to the period subsequent to 1990-91 have also been included, wherever considered necessary.

PROPERTY REPORT

This report is the first annual report of the Department of the Interior, and it contains a full and complete statement of the work of the Department during the year 1900. It is divided into two parts, the first of which contains a general statement of the work of the Department, and the second of which contains a detailed statement of the work of the various bureaus and offices of the Department.

The report is published by the Government Printing Office, Washington, D. C., and is available for sale at the following prices:

At the close of the year 1900, the Department of the Interior had a total of 1,100,000 acres of land under its control, and it had a total of 1,100,000 acres of land under its control. The Department has a total of 1,100,000 acres of land under its control, and it has a total of 1,100,000 acres of land under its control. The Department has a total of 1,100,000 acres of land under its control, and it has a total of 1,100,000 acres of land under its control.

OVERVIEW

Some of the points relating to Delhi Administration and Delhi Development Authority highlighted in this Audit Report are given below:-

Delhi Administration

I Accounts

During 1990-91, the Delhi Administration expended Rs.1,659 crores (Grant No.90) and its receipts were Rs.1,025 crores. Tax revenues accounted for 97 per cent of the receipts. Non-tax revenues or fees for services rendered were meagre. Grants-in-aid amounting to Rs.254 crores and loans amounting to Rs.353 crores were given mostly to Municipal Corporation, Delhi and some to New Delhi Municipal Committee, Delhi Development Authority and Delhi Cantonment Board.

(Paragraph 2)

II Delhi Police

The percentage of convictions and acquittals in cases registered by the Police showed a downward trend. The percentage of cases pending investigations was going up which holds risk of increase in corruption and harassment of the public. The number of recorded crimes against women showed an increase till 1989 after their recording started in 1985 and the rise seemed to have levelled off in 1990.

Certificates were issued to police constables of having undergone full course of prescribed training though they had not undergone the

training in full. The arms training given was not evaluated on its extent, relevance and content to meet the present day needs.

Rupees 4.82 crores were spent on hiring of private vehicles during the years 1987-91 but log books were not maintained. Vehicles out of order were shown as "in use" in the duty slips.

Rupees 13.83 crores had not been recovered from various government departments and other institutions towards cost of police personnel deployed on anti-hijacking measures, perimeter security of the Airport and security arrangements.

A computer was purchased in 1987 for Rs.55.68 lakhs for computerisation of crime records and linking with the computer system of NCRB. The linking is yet to be done for want of compatibility.

(Paragraph 3)

III Poor planning and implementation of scheme

Under a scheme for control of pollution by agricultural chemicals and poisonous weeds (parthenium), only destruction of poisonous weeds and testing of vegetable samples were taken up. Quality control of pesticides and surveillance over pests and diseases were not taken up. Rupees 9.01 lakhs were spent during the years 1984-91 out of Rs.58.03 lakhs allocated. No survey was done. Estimation was done by sight. Of 1200 litres of weedicides purchased for Rs.1.16 lakhs, only 135 litres were used.

(Paragraph 7)

IV Sludge Supply Scheme

Under a "no profit no loss" scheme for disposal of sludge, loss of Rs.60.47 lakhs was incurred between 1984-85 and 1990-91. The selling price of sludge was lower than the aggregate of purchase price, distribution cost and other fixed charges. There was a delay of 1 to 6 months in supply of sludge. 36 to 55 percent of deliveries went to government departments and the remaining to farmers and kitchen garden owners. Of 18 trucks owned by the department for delivering sludge, only 11 were used.

(Paragraph 8)

V Misappropriation of Government Money

Rupees 34.14 lakhs meant for providing relief to the victims of 1984 riots, migrants from Punjab and sufferers of natural calamities, were misappropriated by the cashier in the Deputy Commissioner's office. Lack of supervision by the Drawing and Disbursing Officer, non-verification of cash balance reflected in the cash book and keeping of more cash than required for daily disbursement, facilitated the defalcation.

(Paragraph 11)

VI Wasteful expenditure on control for blackout

Lack of purposeful planning, co-ordination and ineffective implementation of a scheme for providing blackout control in Delhi as a civil defence measure resulted in expenditure of Rs.19.53 lakhs between March 1974 and February 1984, without the blackout control facility coming up even after 16 years.

(Paragraph 12)

VII Premature release of funds

For construction of Delhi City Museum on 22 acres of land at a cost of Rs.495 lakhs, Delhi Administration released on the last day of March 1989 Rs.98.53 lakhs to Sahitya Kala Parishad. The latter paid the entire amount to the Public Works Department on the same day for undertaking the construction of the Museum as a deposit work. Expenditure of only Rs.2.11 lakhs was incurred over 18 months upto June 1991. The release of funds much in advance of requirement was in violation of the Financial Rules.

(Paragraph 13)

VIII School Health Scheme

Under a comprehensive health care scheme for immunisation, health education, environmental hygiene and sanitation, curative services, etc. started in 1980, 5 lakh school children were to be covered in 100 clinics by 1985. Though 3.42 lakh school children were covered in 64 clinics in 1984-85, the number of children covered declined to only 0.78 lakh by 1990-91. Rs.7.42 crores were spent between 1985-86 and 1990-91 but the coverage ranged from 0.53 lakh to 1.91 lakhs per year against the annual target of 3.20 lakhs.

(Paragraph 14)

IX Increasing the capacity of Najafgarh Drain

The work of increasing the capacity of the Najafgarh drain was to be completed by May 1984 at a cost of Rs.18.02 crores. But Rs.38.51 crores had been spent upto March 1991 and the work is still to be completed.

The desilting of the drain in phases after an interval of two years and in parts of the drain resulted in infructuous expenditure of Rs.62.11 lakhs. Recovery of Rs.28.35 lakhs from contractors due to abandonment of work and rescission of contracts had not been effected even after lapse of 3 to 8 years.

Over-payment of Rs.2.28 lakhs made to a contractor had not been recovered even after 8 years of the closure of the work.

(Paragraph 15)

X Syphon under construction for over ten years

A Syphon to cross a drain scheduled to be completed by October, 1983 at a cost of Rs.17.88 lakhs had not been completed even after spending Rs.31.75 lakhs upto August 1991 due to excessive leakage at the joints and the expenditure of Rs.31.75 lakhs was infructuous.

(Paragraph 16)

XI Poor contract management

In the PWD and Irrigation and Flood Control department, inefficient and inept handling of contracts lead to avoidable loss of Rs.158.64 lakhs in 98 cases because of delay in issue of notice for recovering compensation, inadmissible payments made, illegal rescission of contracts, payment for work not provided for in the contracts and due to prolongation of the contracts.

(Paragraph 17)

XII Use of funds meant for benefit of landless labourers

Loan of Rs.70 lakhs received from the Delhi Administration was utilised by Delhi Development Authority (DDA) for construction of 15,000 residential units for landless labourers but the tenements were not allotted to landless labourers. Also Rs.100 lakhs payable to Delhi Electric Supply Undertaking in March 1988 for electrification of the house sites was lying with the Delhi Administration.

(Paragraph 18)

XIII Funds for rural development

Under the scheme of "Community Polytechnic in India" designed to provide scientific and technological inputs in rural development introduced in 1984 in the Govind Ballabh Pant Polytechnic, Rs. 7 lakhs were paid to the Polytechnic till January 1989 of which only Rs.0.40 lakh had been spent till August 1991.

(Paragraph 21)

XIV Delay in finalisation of tenders

Failure to award the work for widening the Delhi-Mathura Road by Public Works Department to the lowest technically acceptable tenderer on the first invitation of tenders resulted in extra avoidable expenditure of Rs.16.54 lakhs.

(Paragraph 25)

Delhi Development Authority

XV Accounts

DDA is preparing 5 balance sheets out of 8 Accounts maintained by it. In the absence of balance sheets of 3 Accounts, the total assets and liabilities of DDA are not being fully brought to account.

(Paragraph 27)

XVI Development of Rohini Complex

Against the target of developing 1,17,016 residential plots in five years, DDA developed only 30,732 plots (26 per cent) in ten years, but 41,060 plots were allotted and 43,964 persons were awaiting allotment. DDA spent Rs 127.73 crores from 1980-81 to 1990-91 against the estimated Rs.130.15 crores for 1,17,016 plots, but realised only Rs.51.61 crores against the estimated receipts of Rs.92.31 crores.

DDA spent Rs.3.55 crores on upkeep of water supply and sewage system which could not be handed over to MCD because of shortcomings and defects pointed out by the MCD.

In about 80 per cent of the works, the quality of material used was sub-standard. Out of 264 cases of use of sub-standard material, recoveries from defaulting contractors were effected only in 12 cases.

(Paragraph 28)

XVII Price preference to Public Sector Undertaking

Work of construction of 232 houses at Paschimpuri under the Self Financing Scheme was

awarded to a Public Sector Undertaking (PSU) by giving price preference of 7.15 per cent over the lowest tender. The PSU did not execute the work. As a result extra expenditure of Rs.25.08 lakhs and delay of more than one year occurred in making the houses available.

(Paragraph 30)

XVIII Non-recovery of licence fee and ground rent

Due to poor management of the Inter-State Bus Terminus and Transport Centres at Rohtak Road, Majnu Ka Tila and Azadpur by the DDA, Rs.2.38 crores of licence fee and ground rent were still to be recovered from licensees of shops, plots and parking sites (March 1991).

(Paragraph 31)

XIX Mis-appropriation of lottery funds

Rupees 23 lakhs were misappropriated in the lottery office of DDA at Delhi and Dhanbad. Clerks were entrusted with large financial transactions without obtaining fidelity or indemnity bonds. Controlling officers failed to ensure timely submission of accounts.

(Paragraph 34)

XX Poor contract management and Arbitration

In 109 out of 801 cases of disputes referred for arbitration between 1986 and 1991, Arbitrators awarded Rs.380 lakhs to contractors against their claims totalling Rs.1521 lakhs. Against counter claims of DDA for Rs.617 lakhs, only claims for Rs.38 lakhs were accepted by the Arbitrators because of non-issuance of timely and proper

notices for levying compensation for delay in execution of works, late supply of architectural drawings, material not supplied by DDA as per works programme, etc.

In 65 cases, the Arbitrators awarded Rs.137 lakhs to the contractors for failure of DDA in fulfilling its contractual obligations.

(Paragraph 37)

XXI Revenue Receipts

The total revenue receipts of Delhi Administration in 1990-91 were Rs.1,024.66 crores which were 10 per cent below the anticipated receipts of Rs.1,144.45 crores. Tax receipts were mainly derived from Sales Tax (Rs.689.71 crores), State Excise (Rs.162.21 crores), Taxes on goods and passengers (Rs.37.20 crores), Stamp duty and Registration fees (Rs.32.14 crores), and Taxes on Motor Vehicles (Rs.53.16 crores).

(Paragraph 38)

XXII Sales Tax

There is no centralised system in the department for watching the progress of disposal of remanded assessments. The number of remanded cases was 50 per cent of the total cases disposed of between 1985-86 and 1990-91. The oldest cases remanded pertained to the year 1976-77. Repeated remanding of three cases having tax effect of Rs.4.57 crores proved detrimental to the collection of revenue. Non-adherence to the provisions of Delhi Sales Tax Act, 1975 resulted in non-realisation of demand of Rs.34 lakhs raised in 1979-80 and Rs. 170 lakhs from 1981-82 to 1983-84.

(Paragraph 46)

In 52 cases of short-levy of tax, penalty and other losses of revenue pointed out by Audit, the tax effect was Rs.4.81 crores. On re-examination of 23 of these cases, the department revised the assessments and raised total additional demand for Rs.2.48 crores.

(Paragraphs 47-55)

Failure in detection of false or invalid declarations or interpolations in the declaration forms in 21 cases resulted in short levy of tax, non-levy of penalty and non-recovery of interest amounting to Rs.76 lakhs.

(Paragraph 47)

Short levy of tax, non-levy of penalty and interest in 8 cases of non-detection of suppression of sales amounted to Rs.2.55 crores.

(Paragraph 48)

Interest of Rs.13.47 lakhs was not recovered in 9 cases and tax lost was Rs.8.64 lakhs due to irregular grant of exemption in 6 cases.

(Paragraphs 49-50)

Mistake in best judgement assessments resulted in loss of revenue of Rs.2.19 crores in 2 cases.

(Paragraph 52)

XXIII Motor Vehicle Tax

Non-renewal of registration of motor vehicles which require re-registration after 15 years, resulted in loss of revenue amounting to Rs.120.80 lakhs. Incorrect levy of permit fee in the case of temporary permits resulted in loss of revenue of Rs.0.62 lakh.

(Paragraphs 56-57)

CHAPTER-I

Organisation

1.1 Union Territory of Delhi is spread over 1,483 sq.kms. comprising 891 sq.kms. of rural and 592 sq.kms. of urban areas and is governed by the Delhi Administration under Lieutenant Governor.

1.2 The Lieutenant Governor (LG) is assisted by a Metropolitan Council and an Executive Council which advises the LG in matters enumerated in the State List and the Concurrent List in the Seventh-Schedule of the Constitution. The members of the Executive Council are nominated by the President of India.

1.3 The local bodies of Municipal Corporation of Delhi (MCD), New Delhi Municipal Committee (NDMC) and the Delhi Cantonment Board (DCB) provide the civic amenities covering 1,397.3 sq.kms., 42.7 sq.kms. and 43 sq.kms. respectively.

1.4 The Delhi Development Authority (DDA), set up by a statute is entrusted with the development of Delhi including the land use pattern, developing residential, commercial and industrial areas and execution of housing schemes. The Slum Wing is also controlled by it administratively.

1.5 The Delhi Urban Art Commission (DUAC) is entrusted with the responsibility of preserving, developing and maintaining the aesthetics of urban and environmental design in the Union Territory of Delhi.

1.6 The Statutory Corporations of Delhi Tourism & Transport Development Corporation (DTDC), Delhi Financial Corporation (DFC), Delhi State Mineral Development Corporation (DSMDC), Delhi State Civil Supplies Corporation (DSCSC),

Delhi Small Industries Development Corporation (DSIDC) and Delhi Scheduled Castes Financial and Development Corporation (DSCFDC), function under the control of Delhi Administration.

1.7 The budget of Delhi Administration forms a part of the budget of the Union Government and falls under a grant of the Ministry of Home Affairs (No.90). Moneys are drawn from the Consolidated Fund of India wherein the receipts of the Delhi Administration are also credited.

CHAPTER - II

2. Accounts of Delhi Administration

2.1 Receipts and Expenditure

The receipts and expenditure of the Delhi Administration during the year 1990-91 were:-

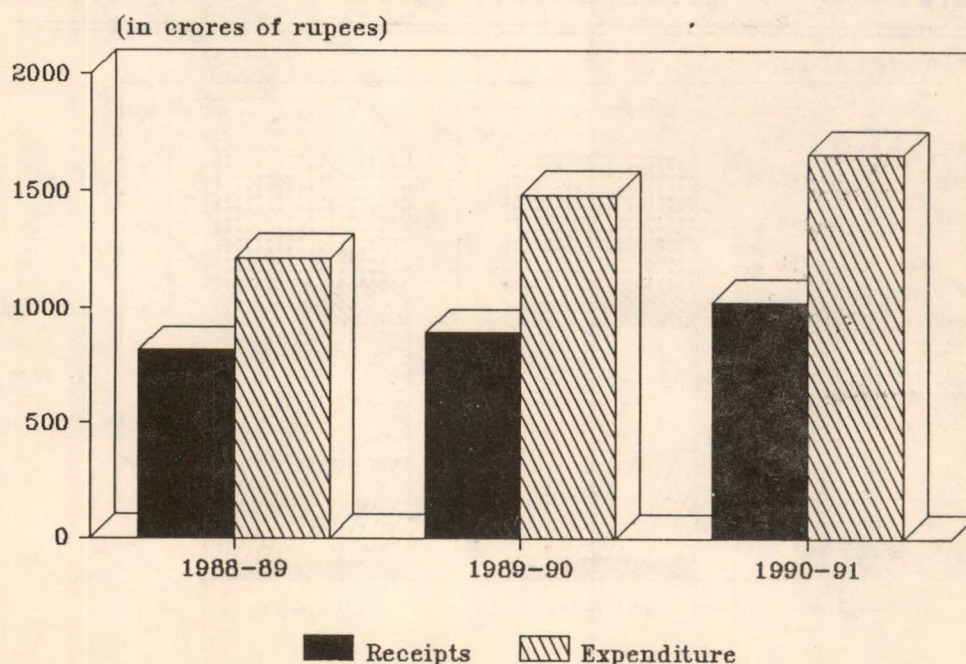
(in crores of rupees)

	1990-91	
	BE	Actual
Receipts	1,144.45	1,024.66
Expenditure	1,785.35	1,658.60

Tax revenues accounted for 97 per cent of the receipts. The percentage of receipts to expenditure from consolidated fund of India was 62 per cent. The table below indicates trend of receipts and expenditure in the last three years.

(in crores of rupees)

Year	Receipts			Expenditure		
	Tax revenue	Non-Tax revenue	Total	Plan	Non-Plan	Total
1988-89	792.90	20.67	813.57	557.09	655.42	1,212.51
1989-90	859.76	33.04	892.80	636.43	847.20	1,483.63
1990-91	990.99	33.67	1,024.66	740.91	917.69	1,658.60



2.2 Non-Tax Receipts

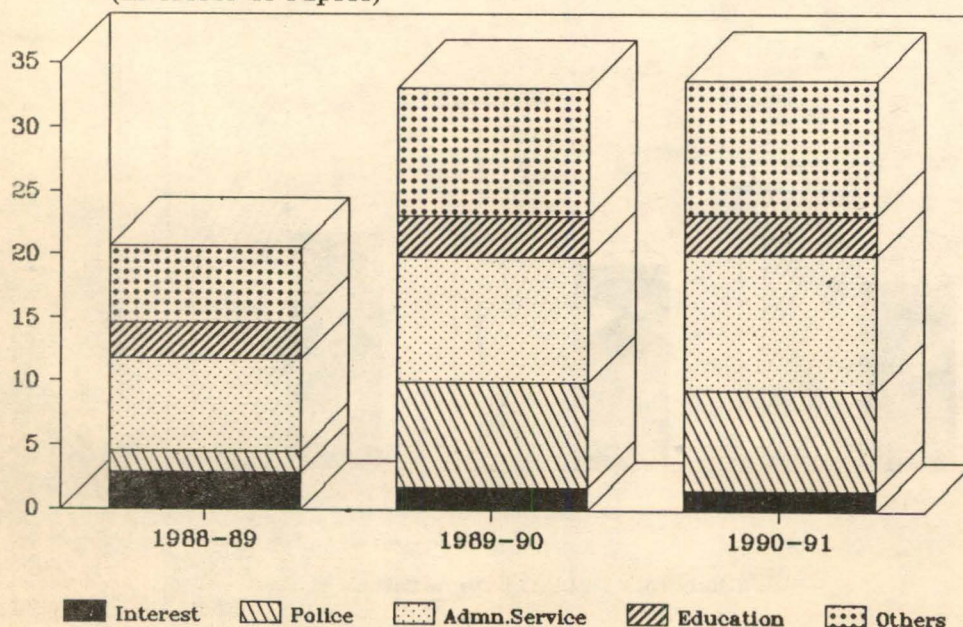
The details of tax revenues and cost of collection are given in chapter V.

Non-Tax Receipts

(in crores of rupees)

Nature of non-tax receipts	Amount collected			increase(+) decrease(-) as compared with 1989-90
	1988-89	1989-90	1990-91	
1. Interest	2.92	1.76	1.56	(-) 0.20
2. Police	1.60	8.16	7.79	(-) 0.37
3. Public works	0.85	2.49	1.85	(-) 0.64
4. Other administrative services	7.24	9.91	10.66	(+) 0.75
5. Education, sports, art and culture	2.79	3.21	3.14	(-) 0.07
6. Medical and public health	0.69	0.85	1.07	(+) 0.22
7. Housing	1.06	1.04	1.07	(+) 0.03
8. Crop husbandry	0.39	0.60	0.53	(-) 0.07
9. Village and small industries	1.05	0.94	1.19	(+) 0.25
10. Other general economic services	0.37	0.58	1.48	(+) 0.90
11. Other heads	1.71	3.50	3.33	(-) 0.17
Total	20.67	33.04	33.67	(+) 0.63

(in crores of rupees)



2.3 Expenditure on Services

The expenditure during 1990-91 on various services as compared with the budget estimates alongwith corresponding figures for the previous two years are given below:-

(in crores of rupees)

Expendi- ture Sector	Year	Budget estimates		Actual expenditure		Excess(+) saving(-)	
		Reve- nue	Capi- tal	Reve- nue	Capi- tal	Reve- nue	Capi- tal
General services	1988-89	200.38	7.53	194.07	7.52	- 6.31	- 0.01
	1989-90	242.20	5.97	240.18	5.37	- 2.02	- 0.60
	1990-91	261.28	10.04	258.91	9.73	- 2.37	- 0.31
Social services	1988-89	423.19	245.48	414.87	134.83	- 8.32	-110.65
	1989-90	513.96	234.26	508.24	226.40	- 5.72	- 7.86
	1990-91	588.75	303.76	571.00	230.13	- 17.75	- 73.63
Agriculture and allied activities	1988-89	5.64	1.72	5.32	1.61	- 0.32	- 0.11
	1989-90	7.93	1.37	7.55	1.20	- 0.38	- 0.17
	1990-91	10.34	1.40	10.28	1.20	- 0.06	- 0.20
Rural development	1988-89	1.42	0.18	1.40	0.18	- 0.02	-
	1989-90	1.27	0.55	1.26	0.55	- 0.01	-
	1990-91	1.81	0.98	1.67	0.92	- 0.14	- 0.06
Irrigation and flood control	1988-89	5.71	13.71	5.63	13.23	- 0.08	- 0.48
	1989-90	6.87	17.54	6.74	16.87	- 0.13	- 0.67
	1990-91	8.63	21.55	8.25	12.24	- 0.38	- 9.31
Water and energy	1988-89	1.65	-	1.65	-	-	-
	1989-90	3.05	-	3.04	-	- 0.01	-
	1990-91	1.46	-	1.16	-	- 0.30	-
Industry and minerals	1988-89	3.74	2.58	3.55	2.57	- 0.19	- 0.01
	1989-90	4.91	3.64	4.83	3.49	- 0.08	- 0.15
	1990-91	8.97	3.86	8.94	3.78	- 0.03	- 0.08
Transport	1988-89	58.18	26.48	58.17	25.59	- 0.01	- 0.89
	1989-90	64.67	27.88	64.43	28.62	- 0.24	+ 0.74
	1990-91	77.61	59.06	77.25	40.06	- 0.36	-19.00
Science tech- nology and environment	1988-89	0.33	-	0.16	-	- 0.17	-
	1989-90	0.62	0.01	0.55	0.01	- 0.07	-
	1990-91	0.72	-	0.55	-	- 0.17	-
General economic services	1988-89	18.61	0.27	18.41	0.27	- 0.20	-
	1989-90	6.92	0.06	6.80	0.06	- 0.12	-
	1990-91	5.33	0.68	5.10	0.68	- 0.23	-
Grants-in- aid and cont- ributions	1988-89	54.44	-	54.44	-	-	-
	1989-90	55.30	-	55.30	-	-	-
	1990-91	63.19	-	63.17	-	- 0.02	-
Loans and advances	1988-89	-	282.36	-	269.04	-	-13.32
	1989-90	-	302.18	-	302.14	-	- 0.04
	1990-91	-	355.93	-	353.58	-	- 2.35
Total	1988-89	773.29	580.31	757.67	454.84	- 15.62	-125.47
	1989-90	907.70	593.46	898.92	584.71	- 8.78	- 8.75
	1990-91	1028.09	757.26	1006.28	652.32	- 21.81	-104.94

The expenditure incurred directly by Delhi Administration during 1990-91 was mainly on Education (18.48 per cent), Urban development (15.45 per cent), Police (10.11 per cent), Medical and public health (9.25 per cent), and Transport (7.07 per cent). The loans and grants made to local bodies, accounted for 36.60 per cent of the expenditure.

The saving in utilisation of funds amounted to Rs.126.75 crores on sectors like Urban development (Rs.70.65 crores), Transport (Rs.19.34 crores), Housing (Rs.8.64 crores), Flood control (Rs.7.98 crores), Medical and public health (Rs.5.72 crores) and Education (Rs.5.04 crores).

2.4 Payments to Local Bodies

The proceeds from taxes on vehicles, terminal tax and entertainment and betting taxes are assigned to local bodies as grants-in-aid and contributions booked under the head 3604 - Compensations and Assignments to Local Bodies and Panchayati Raj Institutions. A sum of Rs.63.17 crores was apportioned during the year 1990-91 to the local bodies as follows:-

(in crores of rupees)				
	MCD	NDMC	DCB	Total
Taxes on vehicles	13.24	2.29	0.41	15.94
Entertainment tax	12.68	1.09	0.18	13.95
Betting tax	-	1.04	-	1.04
Terminal tax	30.86	0.95	0.43	32.24
Total	56.78	5.37	1.02	63.17

The loans and advances paid and grants given by the departments of Delhi Administration in 1990-91 and the two earlier years to local bodies and DDA are given below:-

(in crores of rupees)			
Name of the bodies	Year	Grants-in-aid	Loans and advances
Municipal Corporation of Delhi	1988-89	142.00	248.42
	1989-90	167.10	282.10
	1990-91	215.43	339.82
New Delhi Municipal Committee	1988-89	15.70	18.76
	1989-90	16.71	13.72
	1990-91	21.93	11.07
Delhi Cantonment Board	1988-89	0.42	-
	1989-90	0.58	-
	1990-91	0.40	-
Delhi Development Authority	1988-89	15.29	-
	1989-90	18.80	-
	1990-91	16.17	2.21
Total	1988-89	173.41	267.18
	1989-90	203.19	295.82
	1990-91	253.93	353.10

The Municipal Corporation of Delhi was the major recipient of both grants-in-aid (Rs.215.43 crores) and loans and advances (Rs.339.82 crores).

The total loans and advances outstanding with the local bodies and the DDA, after adjusting repayments, as on 31 March 1989, 1990 and 1991 are given below:

(in crores of rupees)

Name of body	Amount of loan outstanding			Interest overdue as on 31 March 1991
	As on 31 March 1989	As on 31 March 1990	As on 31 March 1991	
Municipal Corporation of Delhi (MCD)	534.27	707.01	158.91	184.41
New Delhi Municipal Committee (NDMC)	56.75	67.33	4.23	6.66
Delhi Development Authority (DDA)	46.73	38.69	43.59	70.11
Total	637.75	813.03	206.73	261.18

The interest overdue for payments as on 31 March 1991, from the various local bodies amounted to Rs.261.18 crores as stated by the Delhi Administration. Action needs to be taken by the Delhi Administration to recover the interest due and also instalments for repayment of loans as they become due (see also para 2.6).

The results of audit of the local bodies viz. MCD and NDMC are covered in a separate Audit Report. Important audit comments pertaining to DDA are included in chapter IV of this Report. The audit of Delhi Cantonment Board forms a part of the audit of Defence Services on which a separate Audit Report is issued.

2.5 Investments

Investments by Delhi Administration in the statutory corporations, government companies, co-operative banks and societies during 1990-91 and the earlier two years are given below:-

(in crores of rupees)

Name of the body	Investment				Dividend received during the year and as percentage of return on cumulative investment		
	Upto the end of <u>1988-89</u>	Upto the end of <u>1989-90</u>	During <u>1990-91</u>	Upto the end of <u>1990-91</u>	<u>88-89</u>	<u>89-90</u>	<u>90-91</u>
1. Delhi Financial Corporation	4.65	5.85	1.10	6.95	-	-	-
2. Delhi Tourism and Transport Development Corporation	2.41	2.46	0.55	3.01	-	-	-
3. Delhi State Mineral Development Corporation	3.18	3.18	-	3.18	-	-	-
4. Delhi State Civil Supplies Corporation	5.00	5.00	-	5.00	-	-	-
5. Delhi Small Industries Development Corporation	7.65	8.20	0.70	8.90	-	-	-

6. Delhi Scheduled Castes Fin- ancial and Development Corporation	1.83	2.20	0.50	2.70	-	-	-
7. Sehakari Bazar Complex	0.45	0.45	-	0.45	-	-	-
8. Delhi Co-operative Housing Finance Society	9.92	13.92	4.50	18.42	-	-	-
9. Labour Co-operative Societies	0.02	0.02	-	0.02	-	-	-
10. Consumer Co-operative Societies	0.93	0.93	-	0.93	Negli- gible	-	-
11. Other Co-operative Societies	0.62	0.62	-	0.62	-	-	-
12. Delhi State Co-operative Bank	1.05	1.05	-	1.05	-	-	-
13. Indraprastha Medical Corporation Ltd.	2.76	2.76	1.00	3.76	-	-	-

Total

40.47

46.64

8.35

54.99

-

-

-

Action needs to be taken to review the quality of management in the corporations and ensure first that information is reflected fully in the accounts on the dividend received, if any. Secondly that the dividend bears a reasonable percentage to the investment plus the free reserves which have not been issued as bonus shares to the Government.

2.6 Unrecovered loans and interest

In the Finance Accounts for 1990-91 (Statement No.3) the non-recovery of following loan instalments and interest to the local bodies and others is given. Action is required to be taken by the Ministry of Home Affairs and the Delhi Administration to effect recoveries.

(in crores of rupees)

Sl. No.	Name of loanee and oldest year in which loan given	Amount of loan for recovery overdue	Amount of interest overdue
Loans given by Ministry of Home Affairs (Delhi Administration Division)			
1.	Cooperative Societies, Delhi (1961-62)	0.33	0.26
2.	Delhi Tourism Development Corporation, New Delhi (1977-78)	1.85	1.18
3.	Delhi Development Authority, New Delhi (1956)	* 83.09	134.23
4.	Delhi Electric Supply Undertaking, Delhi (1969-70)	277.84	97.05

5. Delhi State Industrial Development Corporation Ltd., New Delhi (1974-75)	26.92	34.60
6. Municipal Corporation of Delhi (1969-70)	99.38	96.27
7. Delhi Water Supply and Sewage Disposal Undertaking, New Delhi (1969-70)	146.52	291.07
8. Delhi Scheduled Castes Finance Development Corporation Ltd. (1983-84)	1.25	0.17

**Loans given by
Ministry of Home Affairs
(Rehabilitation Division)**

9. Municipal Corporation of Delhi (1984-85)	0.56	0.77
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**Loans given by Ministry of
Urban Development**

10. Consumer Cooperative Society Ltd., New Delhi (1964-65)	0.01	0.01
11. Delhi Development Authority, New Delhi (1957-58)	1.68	0.91
12. Delhi Electric Supply Undertaking (1974-75)	0.01	--

13. Municipal Corporation of Delhi (1952-53)	1.01	0.93
14. Delhi Water Supply and Sewage Disposal Undertaking, New Delhi	13.16	5.05

***Note: As per para 2.4, Rs.43.59 crores is the loan from Delhi Administration to DDA, so this must be separate loans from Ministry of Home Affairs also to DDA. This needs looking into. Similarly, the loans to MCD.**

The terms and conditions of the following loans have not been settled so far as highlighted in the Finance Accounts (Statement No.3). The Ministry of Home Affairs and Delhi Administration need to decide on the terms and conditions of the loans immediately or recover them by adjustment from other grants or loans immediately.

Sl. No.	Name of loanee and year in which loan given	Number of loans	Total amount of loans
(in lakhs of rupees)			
Loans given by Ministry of Home Affairs			
1.	Delhi Tourism Development Corporation, New Delhi (1988-89)	4	26.00
2.	Delhi State Industrial Development Corporation New Delhi (1986-87)	2	60.00

2.7 Adjustments to be done in Finance Accounts

In the Finance Accounts (Delhi Administration portion), a debit balance of Rs.2,170.80 crores and credit balance of Rs.1,220.07 crores were outstanding under various Debt, Deposits and Remittance, Loans and Advances, and Suspense heads. The major items are indicated below.

(in crores of rupees)

Head of Account	Amount as on 31.3.91
6075 -Loans for Misc. General Services	Dr 12.23
6215 -Loans for Water Supply and Sanitation	Dr 665.15
6216 -Loans for Housing	Dr 126.64
6217 -Loans for Urban Development	Dr 131.14
6801 -Loans for Power Projects	Dr 1180.08
7610 -Loans to Government Servants etc.	Dr 20.86
7615 -Misc. Loans	Dr 34.70
8005 -State Provident Fund	Cr 228.33
8011 -Insurance and Pension Fund	Cr 246.67
8443 -Civil Deposits	Cr 201.46
8449 -Other Deposits	Cr 201.98
8658 -Suspense Account	Cr 99.32
8670 -Cheques and Bills	Cr 242.31

Note : Dr = Debit Cr = Credit

The outstanding balances under Suspense and Cheques & Bills need early clearance. On loans and deposits, total of nominal and detailed subsidiary accounts must be tallied with the above book balances annually. Action requires to be taken for the same.

CHAPTER-III

CIVIL DEPARTMENTS OF DELHI ADMINISTRATION

Commissioner of Police

3. Delhi Police

3.1 Introduction

The Delhi Police was formed, in 1912, on separation of Delhi from Punjab and placed under a Chief Commissioner performing the functions of the Inspector General of Police also. In 1948, a separate post of Inspector General of Police of Delhi was sanctioned. In 1978, the Police Commissioner system was introduced in Delhi on the recommendations of the Khosla Commission (1966-68). Certain duties which were hitherto being performed by the District Magistrate were transferred to the Commissioner of Police involving administration of various Enactments, like the Arms Act, Indian Explosives Act, Delhi Public Gambling Act and Punjab Security of State Act. The duties of Delhi Police cover management of crowds, traffic, law and order problems, security of VIPs and foreign dignitaries, drug menace, juvenile delinquency, safety, security and protection of weaker sections of society, etc.

3.2 Scope of Audit

A review in audit of the accounts of Delhi Police relating to the years 1986-87 to 1990-91 was conducted and the findings are given in the succeeding sub-paragraphs.

3.3 Organisational set-up

The Administration of the Union Territory of Delhi vests in the Lieutenant Governor, who is assisted by the Commissioner of Police with eleven Additional Commissioners of Police, a number of Deputy and Assistant Commissioners of Police and about 50,000 Police personnel in various ranks.

The area of Delhi has been divided into 3 ranges, 11 districts, 35 sub-divisions, 105 police stations, 67 outposts and 6 check posts for operational purposes.

3.4 Highlights

- The percentage of untraced cases registered with the police showed a downward trend but also the percentage of convictions and acquittals. But the percentage of cases pending investigations are going up as also the percentage of cases pending trial which holds risk of increase in corruption and harassment of the public.
- The number of cases of crimes against women every year, which is being recorded from 1985, rose till 1989 and rise would seem to have levelled off in 1990.
- Police Training College for training of gazetted officers and upper subordinates, had not been opened till September 1991.
- Certificates were issued to police constables of having undergone full course of prescribed training though they had not undergone the prescribed course of training in full.
- Only 21 to 69 per cent police personnel were sent for practice in fire arms during the last five years 1986-90 though all police

personnel were to be trained. Arms training was not evaluated on its extent, relevance and content to meet the present day needs.

- Rupees 2.56 crores were spent between March 1988 and March 1991 on purchase of land for construction of 15 police stations, MT workshop, police posts and security lines but construction of buildings is still to start.
- An expenditure of Rs.4.82 crores was incurred on hiring of private vehicles during 1987-91. Log books had not been maintained in respect of any of the vehicles; all duty slips showed detention period as 24 hours from midnight, and actual time of detention of the vehicles was not on record; even vehicles out of order were shown as "in use" in the duty slips.
- In Malkhanas of police stations, seized properties including cycles, vehicles, cement bags were stored in open and in a haphazard manner for several years leading to loss by depreciation of several lakhs of rupees from 1981-82.
- Computer purchased in 1987 at a cost of Rs.55.68 lakhs for linking to the computer system of NCRB connecting districts and states for collection and dissemination of crime data has not been linked for want of compatibility.
- Draft chapters of the Manual sent to Delhi Administration during the years 1981-83 had not been approved so far.
- Rupees 8.39 crores had not been recovered from the Ministry of Civil Aviation and International Airports Authority of India towards cost of police personnel deployed on anti-hijacking measures and perimeter

security at the Indira Gandhi International Airport.

- Rupees 5.44 crores were outstanding for recovery from various institutions and authorities, at the end of March 1991, towards cost of police guards provided to them under the Delhi Police Act.

3.5 Financial Outgo

The budget allocations for and expenditure on the Police during the years 1985-86 to 1990-91 were as under:-

(in crores of rupees)

Year	Budget allocation		Actual expenditure	
	Plan	Non-Plan	Plan	Non-Plan
1985-86	0.57	66.51	0.58	66.61
1986-87	1.22	84.93	1.22	85.18
1987-88	1.85	113.31	1.85	113.38
1988-89	1.70	127.60	1.70	127.55
1989-90	2.33	158.17	2.33	157.47
1990-91	3.64	168.25	3.64	168.09

3.6 Performance

3.6.1 General .- According to National Crime Records Bureau (NCRB), the territory of Delhi ranked 4th amongst States and Union Territories in the volume of cognizable crimes committed in 1988.

It ranked 3rd in 1989. Statistics of cases registered under the Indian Penal Code (IPC) remained untraced during the six years ended December 1990 and their progress is given in Appendix-I.

The percentage of untraced cases showed a downward trend from 56 to 41 but the percentage of convictions and acquittals were also coming down while the number of cases pending investigations were going up. The number of cases where trials are pending in the cases where challans/prosecutions are made is also going up. As is known, administrative delays if not checked, tend to breed corruption and generate a sense of harassment in the Public.

The growth in the strength of Delhi Police during the years 1986 to 1990 is given below:-

Year	Actual strength (Excludes group 'D' staff)
1986	34,167
1987	36,016
1988	39,678
1989	42,763
1990	45,223

Increase in the number of murders, attempt to murder, robberies, etc. during the years 1988 to

1990 is given below:-

	1988	1989	1990
Dacoity	9	15	19
Murder	296	349	390
Attempt to murder	250	364	387
Robbery	202	213	227
Riot	114	152	301
Snatching	184	215	206
Hurt	1,579	1,794	1,845
Burglary	1,452	1,529	1,556
Theft	11,249	12,340	12,204
Other IPC	12,682	13,552	14,712
Total	28,017	30,523	31,847

The Committee on Re-organisation of the set-up of Delhi constituted by the Government of India in December 1987 had noted (December 1989) that the Police Commissioner system had "not brought any perceptible improvement in the control of crime which is its main objective". The Committee, therefore, recommended that this system should be abolished failing which the powers conferred on the police should be restricted to those really needed for discharging their main responsibilities of maintaining public order in Delhi. The recommendations of the Committee are still under the consideration of the Delhi Administration and the Ministry of Home Affairs (November 1991).

3.6.2 *Crime against women and dowry related cases* .- Starting from 1984 cells headed by Women Inspectors of Police have been set up in all police districts. Women Police Officers have also been posted as duty officers in selected police stations. As per details in Appendix-II, it would

be seen that the number of recorded crimes against women showed steep increase from 1985, when recording of such cases was started and the rise would apparently have levelled off in 1990. It would seem to be less steep in the last two years (Appendix-II).

3.7 Training

3.7.1 Delhi Police runs two training schools for giving induction and in-service training to its personnel. Training is also imparted to the police personnel in their units. Officers are sent for training to other States and Institutions.

3.7.2 The Gore Committee on Police Training had *inter-alia* recommended (1971) opening of a Police Training College (PTC) for training gazetted officers and upper subordinates, a separate Police Training School (PTS) for training lower subordinates and another institution for training Armed Police was also recommended. PTC has not been started so far (September 1991).

3.7.3 The trainees and instructors were often deployed on law and order duties disrupting the training schedule; the stay in the training centre was for only 59 to 67 per cent of the prescribed period of training. Certificates were issued to Police constables of having undergone full course of prescribed training though they had not undergone the prescribed course of training in full.

3.7.4 Group 'D' staff assigned duties in Police Training School were deployed at the residences of some officers not connected with training.

3.7.5 Land measuring 73.7 acres was acquired in August 1982 for construction of a Police Training College. Construction of the building has not

started and the site was being utilised as Recruit Training Centre.

3.7.6 All Police personnel are required to undergo practice in fire arms every year. But training is not being given to all, as the following figures show, even though there has been increase in the numbers sent for practice.

Year	Personnel strength	No. of persons sent for arms practice	Percentage of persons sent for practice
1986	34,167	7,236	21
1987	36,016	21,814	61
1988	39,678	27,435	69
1989	42,763	25,233	59
1990	45,223	28,004	62

The department stated (July 1991) that all personnel are sent for firing practice except during heavy deployment or leave. But registers for deputing personnel for annual practice were opened only in May 1991 after enquiry in audit. No monitoring of officials deputed for arms practice was being done nor was training evaluated on its extent, relevance and content to meet present day needs.

3.8 Accommodation

3.8.1 Residential .- According to the recommendations of the Khosla Commission, accepted by the Government of India, residential accommodation is to be provided by Government to all officers of and above the rank of Assistant Sub-Inspector, and to 50 per cent of lower subordinates. The other

50 per cent of lower subordinates are to be provided barrack accommodation. The level of satisfaction ranged only between 25 and 31 per cent during the years 1987-91 for Head Constables, Assistant Sub-Inspectors and Sub-Inspectors.

3.8.2 Administrative buildings .- The number of police stations sanctioned was 80 in 1986, 94 in 1987 and 105 in 1988. But 8 were functioning in dilapidated buildings or in rented buildings and 6 in tents since 1986. The New Police Lines for Delhi Armed Police was originally meant to house one battalion but was housing 5 battalions and outside forces were also stationed there permanently or semi-permanently.

Some of the units of Delhi Police e.g. security, communications, motor transport do not have ear-marked office accommodation.

Rupees 2.56 crores were spent between March 1988 and March 1991 on purchase of land for construction of 15 police stations and construction of Motor Transport workshop, police posts and security lines, but construction of buildings is still to start (September 1991).

3.9 Purchases

3.9.1 Of 3,000 body protectors procured at a cost of Rs.3.35 lakhs between September 1990 and February 1991 by Director General of Supplies and Disposals (DGS&D), one lot of 818 body protectors costing Rs.91,000 was of inferior quality.

Of additional 1,274 body protectors procured from the open market by the Police Department between August and October 1990, 500 pieces were rejected by the Purchase Committee as not conforming to specifications and 774 pieces were not received though ordered.

3.9.2 Of 11,848 woollen jerseys ordered by DGS&D in February 1988 at a cost of Rs.13 lakhs, no jersey was received upto November 1989 and the contract was cancelled. The Police Department requested DGS&D in June 1989 to permit direct purchase of 2,000 jerseys and on receipt of permission in September 1989, the Police Department purchased 2,000 jerseys directly from the open market.

Against further orders placed by DGS&D for 31,848 woollen jerseys at a cost of Rs.48.52 lakhs for supply by August 1990 only 18,359 jerseys had been received upto September 1991. No action could be taken by DGS&D against the suppliers in the absence of a penalty clause in their contract.

3.9.3 Against orders placed by DGS&D for 8,791 pairs of white canvas shoes in July 1990 at a cost of Rs.2.46 lakhs, only 2,428 pairs were received in November 1990 and 1,919 pairs in January 1991. Balance quantity of shoes had not been received till July 1991 though 95 per cent payment amounting to Rs.2.34 lakhs had been made to the firm by DGS&D.

3.9.4 Items like camera, refrigerator, voltage stabilizer, and sports rackets valuing Rs.2.16 lakhs purchased during March 1990 had not been recorded in stores registers in Central district.

3.9.5 Clothing material valuing Rs.6.22 lakhs was lying unused in the office of the Foreigners Regional Registration Officer from January 1987.

3.9.6 A sum of Rs.3.82 lakhs was drawn in March 1989 and Rs.2.55 lakhs in March 1990 by giving wrong certificates on the bills that goods had been received in PTS though they were received in the following financial year.

3.10 Motor Vehicles

3.10.1 *Owned vehicles* .- During the riots in November 1984, it was reported that police lacked mobility for want of transport, and they could not reach the scene of incidents promptly. The number of vehicles with Delhi Police rose from 1,220 in December 1984 to 2,560 by December 1990.

134 vehicles condemned between August 1984 and May 1991 with book value of Rs.23.98 lakhs had not been disposed of (July 1991).

20 motor cycles and 2 cars of Police Department stolen during the years 1986 to 1989 were still untraced; they have not been written off.

3.10.2 *Hired vehicles* .- An expenditure of Rs.4.82 crores was incurred by Police Department on hiring vehicles during the years 1987-91. Log books had not been maintained in respect of any of the hired vehicles. All duty slips showed detention period as 24 hours from mid-night, the actual time of detention of the vehicle was not on record. Even vehicles out of order were shown as 'in use' in duty slips. Hired vehicles provided by some of the contractors were 10 to 18 years old and frequently broke down.

3.10.3 *Log Books* .- Log books of 82 departmental vehicles in five units, for various periods between March 1988 and March 1991 had not been checked by any officer. The purpose and details of journeys were not on record. Monthly summaries (goshwaras) were not prepared or were incorrectly prepared. Some vehicles were shown having run between 112 and 453 kms on one litre of petrol or diesel. No reconciliation between the quantity of petrol or diesel shown to have been drawn during a month and the quantity of petrol or diesel shown to have been supplied in the monthly statements received from the petrol pumps, was done.

3.11 Malkhanas

Every police station is to have a 'malkhana' for storing property including those seized during investigations. In some 'malkhanas' the seized properties were stored in a haphazard manner and small rooms or old barracks were used. Trucks, cars, two and three wheeler scooters, cycle rickshaws and cycles were also lying in the open courtyard for several years resulting in loss by depreciation of several lakhs of rupees. No action was taken to house them in malkhanas. In Shakarpur Police Station, 250 cement bags were lying in open courtyard from 1981-82, as also 32 Gas Cylinders confiscated between February 1982 and March 1990.

In Kamla Market Police Station, properties in 76 cases decided by the Courts had not been restored to the claimants.

3.12 Computerisation of records

Delhi Police purchased a computer in 1987 at a cost of Rs.55.68 lakhs for computerisation of crime records. It was to be linked to the computer system of NCRB connecting districts and states for collection and dissemination of crime data. But linking has not been done so far (September 1991), for want of compatibility.

3.13 Manual

Delhi Police was following Punjab Police Rules till the promulgation of Delhi Police Rules, 1980. Khosla Commission (1968) had recommended that in the course of about ten years Delhi Police should compile its own Manual. It was stated (July 1991) that draft chapters of Delhi Police Manual were sent to Delhi Administration during the years 1981

to 1983 but had not been approved so far (September 1991).

3.14 Internal Audit

Accounts of 32 Drawing and Disbursing Officers in Delhi Police are required to be audited internally, every year. Accounts of only 19 units were audited during the five years ending March 1991. No targets for internal audit were fixed nor units prioritised for internal audit. 105 observations of internal audit had not been attended to by Delhi Police till the end of March 1990.

3.15 Other points noticed in audit

3.15.1 Rupees 8.39 crores were outstanding for recovery from the Ministry of Civil Aviation and International Airports Authority of India towards cost of staff deployed on anti-hijacking measures and perimeter security at Indira Gandhi International Airport. Claim for Rs.50.52 lakhs was disallowed by the IAAI on the ground that only pay and allowances, leave salary and pension contributions and cost of ammunition used, would be reimbursed. In February 1990, IAAI decided that leave salary and pension contributions would not be reimbursed, though the Ministry of Home Affairs had clarified in October 1989 that full expenditure including travelling expenses, contingencies like office expenses, materials and supplies, motor vehicles and other charges incurred on anti-hijacking measures and perimeter security staff should be reimbursed. All unreimbursed expenditure is being met out of the budget of Delhi Police which is being approved by Ministry of Finance. On the non-reimbursement as well as the difference in the views of Ministry of Home Affairs and the body under Ministry of Civil Aviation, the Ministry of Finance which approves

budget allocations for both the Ministries needs to be approached for a decision.

3.15.2 Cost of police guards provided to various institutions and authorities is recoverable under the Delhi Police Act. Rupees 5.44 crores were outstanding for recovery from various bodies and organisations as at the end of March 1991, including Rs.3.87 crores from Delhi Development Authority, Rs.41 lakhs from Banks and Airport Authorities, Rs.14 lakhs from Municipal Corporation of Delhi and New Delhi Municipal Committee and Rs.2 lakhs from foreign airlines.

3.15.3 Rupees 1.55 lakhs were defalcated in a Police Station in Central District between March 1986 and March 1988, of which Rs.1.38 lakhs were stated to have been deposited in a Malkhana. The loss was not reported to the higher authorities or to the Audit Officer, though required under the Financial Rules.

3.15.4 Bank drafts amounting to Rs.19.16 lakhs received by the Police Department between April 1986 and March 1991 as earnest money or security deposit were not encashed and the money remained outside Government account. The expired drafts were hardly a security. Bank drafts valuing Rs.4.14 lakhs received between December 1986 and March 1991 were also similarly lying with the department (May 1991) without being credited into Government account.

3.15.5 A lathe purchased in December 1987 at a cost of Rs.81,000 was not put to use (June 1991) for want of a Turner.

3.15.6 A colour TV set purchased in December 1984 and installed in the control room of a battalion was stolen in September 1986 and reported as untraced in February 1987. It had not been written off so far (August 1991).

The matter was referred to the Ministry of Home Affairs and the Delhi Administration in November 1991; their reply has not been received (January 1992).

Development Commissioner

4. Defective planning prior to acquisition of assets

Under the scheme "Custom Cultivation" implemented by the Delhi Administration in Delhi as a part of Intensive Agriculture District Programme, the Delhi Administration had procured upto March 1991 twelve tractors at a cost of Rs.5.69 lakhs (excluding cost of accessories) which were to be made available to the farmers for use in ploughing fields. Of these, four tractors had been purchased in 1971, three in 1974, four in 1978 and one in 1987. The scheme was to be operated on a "no profit no loss" basis. The services provided to the farmers in using the tractors during the years 1986-87 to 1990-91, the targets fixed for use of the tractors and the machine capacities available are given below:-

Year	Capacity (hrs)	Target fixed (hrs)	Achievement (hrs)	Utilisation as percentage of capacity
1986-87	7,780	5,000	2,118	27.22
1987-88	8,400	5,000	1,476	17.57
1988-89	8,400	5,000	1,694	20.17
1989-90	8,400	5,000	1,119	13.32
1990-91	8,400	5,000	1,608	19.14

A tractor (cost Rs.1.13 lakhs) was purchased in February 1987, in replacement of one condemned

tractor even though it was known that the available capacity of 11 tractors was not being fully utilised.

The Development Commissioner (DC) stated in November 1991 that the utilisation of tractors was considerably less than the anticipated target because the work was seasonal and the area available for the work was in batches and located in far away villages entailing to and fro journeys of tractors. It was further stated that efforts were being made to reduce the expenditure by cutting two posts of tractor driver-cum-mechanics.

Though the scheme was to run on a 'no profit no loss' basis, it was, in fact, running at a loss which had amounted to Rs.21.18 lakhs during the five years ended March 1991 (excluding the element of interest on capital invested) as shown below :-

(in lakhs of rupees)

Year	Total expenditure	Total income	Loss
1986-87	4.69	1.25	3.44
1987-88	4.78	0.84	3.94
1988-89	5.60	0.97	4.63
1989-90	5.71	0.74	4.97
1990-91	5.80	1.60	4.20
Total	26.58	5.40	21.18

The DC stated in November 1991 that the scheme is not to run on 'no profit no loss' basis. The reply of the DC is not tenable as the records revealed that the scheme was initiated on no profit no loss' basis.

The matter was reported to the Ministry of

Agriculture in September 1991; their reply is awaited (January 1992).

5. Mis-appropriation of public funds attributable to lack of supervisory control

Under the plant protection scheme, various types of pesticides are made available to the farmers on 'no profit no loss' basis. The supplies are made from a sales depot at Khyber Pass under a Plant Protection Assistant (PPA) through Block Development Officers (BDOs) at Alipur, Najafgarh, Nangloi, Mehrauli and Shahdara.

Proper watch had not been kept over the sale of pesticides, the quantities sent to the BDOs and returned by them and Proforma accounts had also not been prepared except for the years 1988-89 and 1990-91. A PPA was looking after the sales depot at Khyber Pass from 1974-75 till 9 September 1987. He was posted back as PPA in October 1987 and in August 1988 he was directed to handover charge. The PPA did not hand over charge of all the insecticides or all the relevant stock and sale registers to the new incumbent and some of the stocks were handed over in September 1988 while stock and sale registers were handed over only in March 1989.

Physical verification of stock conducted between July 1989 and April 1990 by reference to the stock and sale registers revealed shortages of insecticides valuing of Rs.2.20 lakhs relating to the years 1974-75 to 1988-89. Out of Rs.2.20 lakhs suspected to have been embezzled from the sale proceeds of insecticides, an amount of Rs.0.61 lakh was deposited by the PPA during July 1989 to December 1989. The balance of Rs.1.59 lakhs had not been recovered (August 1991). The mis-appropriation by the PPA was reported by the department to the Crime Branch of Delhi Police in

April 1990. The outcome of the inquiry by Delhi Police is awaited.

Failure of the Plant Protection Officer to exercise control on the work of the PPA and conduct periodical verification of stock led to the loss of Rs.1.59 lakhs through misappropriation not being detected earlier or prevented.

The matter was referred to the Ministry of Agriculture and the Delhi Administration in September 1991. The Ministry stated (October 1991) that the procedural aspects of procurement and sale of pesticides by the State or Union Territory authorities did not fall under their purview and they had no comments to offer. No reply has been received from the Delhi Administration (January 1992).

6. Non-renewal of Insecticides licences

The Insecticides Rules, 1971 framed under the Insecticides Act, 1968 allow regulation by licence of persons desiring to manufacture, sell, stock or exhibit any insecticide. The licences are to be renewed every two years.

It was noticed in Audit (April to July 1991) that 845 licences which had become due for renewal during the period December 1983 to March 1991 had not been renewed which resulted in non-realisation of licence fees amounting to Rs.2.43 lakhs, apart from failure to regulate by licence and the safety implications. A penalty of Rs.7.42 lakhs could have been levied on the establishments which were doing business without licence but penalty was not levied. No inspection of licensees' premises had been done.

To check the production of spurious insecticides, samples are drawn by Insecticide

Inspector after making payment of fair price for the samples. One portion of the sample is restored to the person from whom it is collected, one portion is sent to the Insecticide Analyst for test and the third portion is kept for producing before the Court before which proceedings, if any, are instituted in respect of the insecticide.

An amount of Rs.1.16 lakhs was paid to the manufacturers and establishments selling insecticides towards cost of 770 samples collected during the years 1986-87 to 1990-91. In 688 cases, the test reports of Insecticide Analyst were favourable. However, no action to sell the insecticides in retail through sale depots of the department at headquarters and in Alipur, Najafgarh, Nangloi, Mehrauli and Shahdara was taken. This resulted in loss of Rs.71,000 to the department. The useable life of 458 samples valuing Rs.29,000 had expired.

The Development Commissioner (DC) stated (November 1991) that timely action for renewal of licences and inspection of licensees could not be taken as the required staff could not be sanctioned due to administrative reasons. Varying the duration of licences correlated to the reliability and number of professionally qualified men employed by licensee and levying an appropriate fee on licences for longer duration could lead to lesser need for inspections of premises alongside better safety and lesser staff for inspection.

The DC also stated that 658 samples (one third portion only) valuing Rs.35,000 available with the department would be disposed of to Government farms or sold to the farmers.

The matter was referred to the Ministry of Agriculture in September 1991; their reply is awaited (January 1992).

7. Poor planning and implementation of scheme

A scheme to control environmental pollution caused by agricultural chemicals and poisonous weeds was formulated by the Delhi Administration and approved by the Government of India in 1984-85. The scheme involved testing and analysing the food stuffs for detecting pesticides' residue in them; checking the quality of pesticides sold in the market; and surveillance of insect pests and control of parthenium weeds.

Provision of funds and expenditure during the years 1984-85 to 1990-91 was as under :-

(in lakhs of rupees)

Year	Funds provided	Actual expenditure
1984-85	3.03	3.03
1985-86	12.00	0.10
1986-87	10.00	0.40
1987-88	11.00	0.98
1988-89	10.00	1.50
1989-90	10.00	1.50
1990-91	2.00	1.50
Total	58.03	9.01

Only measures relating to control of parthenium weeds and testing for pesticides' residue in vegetable were implemented.

Targets set and achievements during the years 1985-86 to 1990-91 were as under :-

Year	Samples of food stuffs etc.		Surveillance		Destruction of weeds	
	Targets (in numbers)	Achievements	Targets	Achievements	Targets (in hectares)	Achievements
1985-86	50	45	all crops	NIL	800	NIL
1986-87	200	76	--do--	-do-	800	546
1987-88	500	15	--do--	-do-	2,000	2,187
1988-89	500	161	--do--	-do-	2,000	840
1989-90	600	120	--do--	-do-	2,000	2,000
1990-91	125	129	--do--	-do-	2,000	1,803
Total	1,975	546		NIL	9,600	7,376

Thus against the target of 1975 samples to be taken during the years 1985-86 to 1990-91 for testing pesticides' residue, only 546 samples were taken and tested. Destruction of parthenium weeds was done only in 77 per cent of area. But no survey of the areas affected by parthenium weeds in Delhi was done before fixing target which was estimated by sight only. The Development Commissioner (DC) stated (November 1991) that systematic survey before the implementation of scheme could not be conducted due to scarcity of staff.

For destruction of the weed, 1,200 litres of weedicides were purchased at a cost of Rs.1.16 lakhs during the period March 1988 to October 1988. Only 135 litres of weedicides were used till March 1991. The remaining 1,065 litres of weedicides valuing Rs.1.03 lakhs remained

unutilised. Further, of 131 spraying equipments valuing Rs.0.79 lakh purchased in March 1986, 64 equipments valuing Rs.0.39 lakh had not been used for the last five years (as seen in Audit in July 1991).

The DC further stated (November 1991) that checking the presence of toxic chemicals in vegetables, etc. needed advanced technology and sophisticated laboratory and equipment. Regarding surplus weedicides, Project Officer stated that they would be used in 1991-92 and 1992-93 and spare equipments were being utilised for plant protection work in the rural areas.

In the planning and execution of the scheme the coverage targeted was not correlated to availability of facilities. Targets, physical and financial were also not set appropriately and achieved.

The matter was referred to the Ministry of Agriculture in September 1991; their reply is awaited (January 1992).

8. Sludge Supply Scheme

A 'Sludge Supply Scheme' was implemented in Delhi as part of the Intensive Agriculture District Programme. On certain findings in audit reported in paragraph 8(3) of the Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil), the Ministry had stated, in October 1980, that the Delhi Administration was trying to reduce the losses and that proforma accounts would be maintained.

A test check of the records of the scheme conducted in May-June 1991 revealed that there was a loss of Rs.60.47 lakhs in the working of the

scheme during the years 1984-85 to 1990-91 as shown below:-

Year	Total expenditure	Total receipts	Loss	Percentage of loss to expenditure
1984-85	16.25	10.38	5.87	36
1985-86	21.81	14.71	7.10	33
1986-87	25.30	16.52	8.78	35
1987-88	27.11	15.43	11.68	43
1988-89	29.15	17.00	12.15	42
1989-90	34.90	28.97	5.93	17
1990-91	39.17	30.21	8.96	23
Total	193.69	133.22	60.47	31

The selling rate of sludge was fixed at a price lower than what it would be if it were based on the expenditure incurred on its acquisition and distribution, the interest on capital invested, and depreciation and interest on cost of trucks purchased. The selling rates fixed by the department from time to time during the years 1984-85 to 1990-91 were as under :-

Period	For cultivators		For non-cultivators		
	6 tonnes	3 tonnes	6 tonnes	3 tonnes	1 tonne (tempo)
4 August 1984 to 14 February 1991	Rs.380	Rs.200	Rs.500	Rs.260	Rs.110
15 February to date	Rs.450	Rs.250	Rs.650	Rs.325	Rs.150

The categorisation of the users of sludge during the years 1988-89 to 1990-91 and the quantity of sludge supplied to them was as follows:-

Year	Cultivator	Kitchen garden and farm	Government department	Total
(in tonnes)				
1988-89	8,319	2,775	13,482	24,576
1989-90	18,348	2,364	11,553	32,265
1990-91	15,411	3,447	12,450	31,308

Clearly, commercial marketing methods were not being made use of in the department to augment the revenues of the Administration.

The Development Commissioner (DC) stated (November 1991) that the scheme was not being run on a 'no profit no loss' basis. A rate fixed on the basis of cost of acquisition and distribution of sludge would be very high. The cultivators might not be in a position to afford the purchase of sludge for application to their fields. The DC, however, stated that the rates would be revised in due course. But the records revealed that the scheme was originally approved on a 'no profit no loss' basis.

As on 31 March 1991, the department had a fleet of 17 trucks (cost Rs.28.09 lakhs), excluding one truck due for condemnation, for lifting the sludge from the plants and supplying it to consumers. There were 12 drivers, 9 cleaners, 3 mechanics, 4 fitters, one work mistry, one auto electrician, one welder and a mechanical supervisor to look after the running and repair and maintenance of trucks. But during 1988-89 to 1990-91 against the available capacity to carry 2.06 lakh tonnes of

sludge, calculated at the rate of 3 trips per day per truck for 200 days in a year, quantity actually carried was only 0.88 lakh tonnes. The following table shows the quantity of sludge actually supplied during the years 1988-89 to 1990-91 vis-a-vis the demands booked and the targets fixed:-

(in tonnes)				
Year	Trucks capacity	Targets fixed	Demands booked	Quantity supplied
1988-89	80,106	40,000	27,978	24,576
1989-90	70,782	40,000	33,471	32,265
1990-91	55,338	40,000	32,652	31,308

The DC stated (November 1991) that non-achievement of targets was due to old and sick fleet of trucks, non-availability of dry sludge in sewage treatment plants, unhygienic working conditions, etc.

The department purchased a new truck of 6 tonnes capacity in May 1990 for Rs.3.67 lakhs in replacement of an old truck. But against the fleet of 18 trucks with the department (including one condemned) only 11 trucks, on an average, were put to use on a day during 1989-90. In March 1986, the department purchased a dual cabin pick up truck for Rs.1.01 lakhs to meet the demands of sludge by kitchen garden owners. The truck was expected to make 3 trips a day and earn Rs.150 per day. The truck, however, made only 845 trips during 1986-87 to 1990-91 against the target of 3,600 trips during these years. Also, there was delay in supply of sludge to the consumers. A test check revealed that of the total of 32,265 tonnes of sludge supplied during the year 1989-90, 7,032 tonnes were supplied within 1 to 3 months, 3,228

tonnes were supplied after 3 to 6 months and 378 tonnes after 6 months of demand. The DC stated (November 1991) that the utilisation of 11 trucks against 18 trucks was due to frequent repairs of 12 trucks which were more than 10 years old and had covered more than three lakh kms.

The matter was referred to the Ministry of Agriculture in September 1991; their reply has not been received (January 1992).

9. Idle equipment and un-implemented schemes

(i) Under a scheme for strengthening the seed testing laboratory under the Development Department, equipment worth Rs.1.80 lakhs was purchased in June 1985. It was to help the laboratory to perform its functions under the Seeds Act and test 3,000 to 4,000 seed samples every year for purity, moisture, rate of germination and absence of pathogens. The equipment had not been put to use since its procurement.

Out of Rs.7.80 lakhs released by the Ministry and Delhi Administration during the years 1988-89 to 1990-91 to the laboratory, Rs.4.23 lakhs remained un-utilised on manpower.

(ii) For setting up a Tissue Culture Laboratory to facilitate raising of horticulture plants in "test tubes", the Horticulture Department was allotted Rs.3.50 lakhs during the years 1985-86 to 1988-89. The department spent Rs.2.45 lakhs on purchase of equipment and tools. No expenditure had been incurred since 1988-89. The Tissue Culture Laboratory had not been established till December 1991.

The department stated that the slow progress was due to non-availability of staff, land and building. Meanwhile, the guarantee period of one

year on some of the equipment purchased had lapsed in March 1989.

Because of inadequate planning, release of money for equipment before infrastructural facilities could come up, investment of Rs.2.45 lakhs on equipment is lying idle.

The matter was referred to the Ministry of Agriculture in August-September 1991; their reply has not been received (January 1992).

10. Non-recovery of loan and interest from Gaon Panchayats

Under a scheme for the grant of loans to Gaon Panchayats for construction of remunerative assets like shops and bus stops, the department advanced loans amounting to Rs.10.10 lakhs to 101 Gaon Panchayats during the years 1974-75 to 1980-81. Out of this, Rs.5.06 lakhs towards principal (and Rs.0.35 lakh towards interest) were recovered from 1979-80 to 1982-83. The balance of Rs.5.04 lakhs towards principal had not been recovered (September 1991) and the Directorate of Panchayats could not indicate the amount due from each Panchayat (July 1991) or the interest accrued. Also, list of details of remunerative assets created could not be made available to Audit by the Directorate.

The Directorate stated in September 1991 that the response to the scheme had been lukewarm and as such it was discontinued after 1984-85. Monitoring of the scheme and maintenance of records was not ensured due to frequent changes in incumbency in Directorate. Efforts were being made to recover the outstanding loans through Block Development Officers.

The matter was referred to the Ministry of Agriculture and the Delhi Administration in August

1991; their reply has not been received (January 1992).

Deputy Commissioner of Delhi

11. Mis-appropriation of Government money

A Drawing and Disbursing Officer (DDO) drew advances to provide relief to the victims of 1984 riots, migrants from Punjab and victims of natural calamities. Accounts of the expenditure were to be rendered to the Pay and Accounts Officer (PAO) by presenting detailed bills within one month from the date of drawal of advance. But the DDO did not render accounts to the PAO for the advances amounting to Rs.30.29 lakhs for the period 1984-85 to 1987-88. The concerned cashier was asked to hand over charge and a substitute was posted on 3 February 1989.

The former cashier closed the cash book on 8 March 1989 but cash in hand amounting to Rs.4,13,717.90 was not handed over to the new incumbent though shown in cash book as cash in hand. It came to notice of new cashier that advances drawn for Rs.2,14,11,350.63 were still pending adjustment and not available as cash in hand and were still to be accounted for. The former cashier subsequently accounted for Rs.1,84,10,653 by presenting detailed bills between June 1989 and August 1990. The balance advance as well as cash balance not handed over amounting to Rs.34,14,415.53 was still unaccounted for (August 1991).

The temporary advance register which was to show the details of the advances given to the officers, amounting to Rs.2,14,11,350.63, was not made available to Audit.

The cashier was placed under suspension in December 1989 and a First Information Report (FIR) on mis-appropriation of Government money and non-submission of accounts of advances drawn was lodged with the police in June 1990. The outcome of police investigation is awaited (October 1991).

The following irregularities facilitated the mis-appropriation of Government money:

- i) Entries in the cash book from 17 January 1985 onwards were not checked by the Head of the Office nor were got checked by an officer other than the writer of the cash book.
- ii) While closing the cash book, details of undisbursed amount were not recorded therein.
- iii) The Head of Office did not verify the cash balance reflected in the cash book except once on 29 July 1989.
- iv) Cash balance ranged from Rs.25.61 lakhs to Rs.1.53 crores against daily average requirement of cash of Rs.3 to 6 lakhs. Such large sums being retained by the cashier and lack of supervision by DDO were contrary to rules.

No action was initiated to fix responsibility on officials responsible for loss of Government money.

The matter was referred to the Ministry of Home Affairs in September 1991; their reply is awaited (January 1992).

Directorate of Civil Defence and Home Guards

12. Wasteful expenditure on control for black out

As a defence measure it was decided in 1968 to design a way of switching electric power supply in Delhi on and off (black out) from a Civil Defence Control Room (CDCR) under the Delhi Administration.

A public sector undertaking (PSU) was asked to design the equipment for the purpose. Trials were carried out and the equipment was approved in 1972. It was decided that in the first phase, 200 sub-stations of Delhi Electric Supply Undertaking (DESU) and New Delhi Municipal Committee (NDMC) would be controlled by the equipment. Orders for the necessary equipment were accordingly placed on the PSU in October 1972.

The PSU supplying the equipment was to undertake the work of internal wiring and connecting, testing and commissioning. The procurement and installation of complementary equipment at their sub-stations in Delhi was to be done by the DESU. Similarly, the procurement and installation of equipment at sub-stations in New Delhi area was to be undertaken by NDMC. The work for providing underground telephone cables, on rent, required for connecting the sub-stations was assigned to Department of P&T, Delhi. Funds detailed below were provided between March 1974 and February 1984 by the Directorate of Civil

Defence and Home Guards:-

Sl. No.	Name of Agency	Expenditure incurred (in lakhs of rupees)	Period of expenditure
1.	PSU	9.30	March 1974 to March 1982
2.	DESU	2.13	March 1977
3.	NDMC	1.15	March 1977
4.	P & T	6.95	March 1978 to February 1984

The black out equipment was received in 1974 and 55 control panels were installed by NDMC in its sub-stations in 1980. Equipment was procured by DESU by May 1977 and control cubicles installed at most of the control points. But the scheme did not become operational due to non-provision of telephone cable pairs by the P&T though they were paid Rs.7.95 lakhs to provide the requisite telephone cable. The DESU requested the civil defence authorities in March 1985 to hand over a parallel control to them.

In April 1986 the Ministry of Home Affairs approved the proposal to hand over control to DESU subject to the concurrence of the Delhi Administration which had financed the procurement of equipment. The concurrence was given in July 1987. However, no action was taken by DESU to take over the equipment from CDCR. Meanwhile, the equipment became obsolete and could not be installed due to increase in the number of electrical sub-stations. Also, the Department of Energy was processing a 'Ripple System' with Swedish technical assistance to meet the same need in Delhi. It was, therefore, decided in December 1990 to explore the possibility of transferring the equipment to some other city wherein it could be put to use. The PSU stated in December 1990, after surveying, that some of the equipment might

be broken or be missing and a complete test of the equipment be, therefore, done. A fee of Rs.0.25 lakh was paid to the PSU in April 1991 for the test and the inspection was in progress (September 1991).

Thus, due to ineffective and lack of purposeful planning, implementation and co-ordination amongst various implementing agencies, the black-out control facility did not become operational even after 16 years and after incurring an expenditure of Rs.19.53 lakhs.

The matter was referred to the Ministry of Home Affairs and the Delhi Administration in October 1991; their reply is awaited (January 1992).

Directorate of Education

13. Premature release of funds

Delhi Administration approached the Ministry of Urban Development in January 1989 for allotment of 22 acres of land at Kashmiri Gate for a museum. In March 1989, the Delhi Administration entrusted the construction of the Delhi City Museum to the Sahitya Kala Parishad (Parishad) at an estimated cost of Rs.495 lakhs. Out of the 22 acres of land obtained by Delhi Administration from Ministry of Urban Development in January 1989 at Kashmiri Gate, 7 acres were with the Delhi Development Authority, 9 acres were under the control of Municipal Corporation of Delhi and remaining 6 acres were with the Delhi Electric Supply Undertaking and Delhi Administration. Before the land was made available to the Parishad, the Directorate of Education released a grant of Rs.98.50 lakhs on 31 March 1990 to the Parishad for construction of the museum. The Parishad in turn paid the amount to the Public Works Department (PWD) of the Delhi Administration on 31 March 1990 for undertaking the construction of the

museum as a deposit work. The work was to commence in December 1990 and to be completed by December 1992.

Expenditure of only Rs.2.11 lakhs was incurred by PWD (Architect's fee: Rs.1.63 lakhs, survey: Rs.0.22 lakh, and departmental charges: Rs.0.26 lakh) upto June 1991 out of the deposit of Rs.98.50 lakhs.

The Parishad stated in March 1991 that the funds deposited with the PWD were in pursuance of the decision taken in a meeting held on 2 March 1990 under the Chairmanship of Chief Secretary, Delhi Administration.

The release of funds much in advance of its requirement for application to the objective was in violation of the Financial Rules.

The matter was referred to the Ministry of Human Resource Development and the Delhi Administration in September 1991; their reply is awaited (January 1992).

Directorate of Health Services

14. School Health Scheme

A School Health Scheme (SHS) was started as a pilot project in 1979 to cover about 53,000 children in the trans-Yamuna region of Delhi. Following services were to be provided to the children :-

- health appraisal
- immunisation

- curative services
- specialist services
- referral services
- health education
- counselling services
- environmental hygiene and sanitation.

In the Sixth Plan Period (1980-85), school health clinics were started each comprising a doctor, a nurse, a pharmacist and two attendants; 64 clinics were opened by the end of the Sixth Plan period. In addition, five posts each of ENT and Eye specialists, 8 posts of dental surgeons, a Deputy Director of Health Services and supporting non-gazetted staff were sanctioned in March 1981 and October 1982 to provide referral services. The posts of specialists were filled in gradually from March 1984 to May 1991 but 6 posts of dental surgeons and one each of Eye and ENT specialists were still vacant (December 1991). A clinic was to serve 5,000 students in a year.

By the end of the Sixth Five Year Plan period (1980-85), 5 lakh school children were to be covered in the 100 clinics under the scheme. But only 3.42 lakh students were covered by 64 clinics in the last year of the Sixth Plan period.

During the Seventh Five Year Plan period (1985-90), no additional clinics were opened. The number of students covered under the scheme in the Seventh Plan period declined from 3.42 lakhs in 1984-85 to 0.78 lakh in 1990-91. The coverage of students was particularly low during the three years ended March 1991. Year-wise details of expenditure on salary of staff, medicines, etc., on the health clinics and the number of students

covered during the years 1985-86 to 1990-91 are given below :-

Year	Expenditure on			Total expenditure	No. of children required to be covered	No. of school children covered
	Salary and other expenditure	Medicines	Other items including vehicles			
(in lakhs of rupees)				(in lakhs)		
1985-86	52.75	12.79	0.18	65.72	3.20	1.02
1986-87	72.64	11.83	2.75	87.22	3.20	1.91
1987-88	95.68	14.22	4.60	114.50	3.20	1.88
1988-89	117.98	29.59	4.49	152.06	3.20	0.53
1989-90	131.43	24.81	1.04	157.28	3.20	1.03
1990-91	130.97	34.31	0.42	165.70	3.20	0.78
Total :	601.45	127.55	13.48	742.48	19.20	7.15

The decrease in the coverage of students by the school health clinics during the years 1985-86 to 1990-91 was attributed by the Directorate to (i) non-filling up of posts of doctors; (ii) deployment of manpower for control of gastroenteritis and cholera epidemic in jhuggi jhonpri clusters and resettlement colonies from 23 July 1988 to 31 December 1988; (iii) utilisation of SHS staff for providing health care to about 10 lakh persons in jhuggi jhonpri clusters through 40 Mobile Health Clinics in 1990-91; (iv) detailment of doctors of SHS to other institutions/hospitals; and (v) non-availability of school children due to drop out during examinations and vacations, holidays, etc. The Directorate further stated (December 1991) that the Delhi Administration had worked out a comprehensive plan

for providing health care to slum dwellers of Delhi and after its implementation, the SHS which had been carrying out the additional responsibility of manning Mobile Health scheme for JJ clusters from February 1989, would be in a position to concentrate on school children exclusively.

The contention of the Directorate was not tenable in as much as 3.42 lakh students were covered during 1984-85 with the same number of doctors and under the same conditions. The detailment of staff exclusively meant for SHS for other purposes was contrary to the objectives of the scheme. In the result, the objectives of SHS were not being fully achieved and there was diversion of SHS staff to other scheme without monitoring the achievements against targets set for other work and the additional achievements by the diversion of the resources of SHS.

The matter was referred to the Ministry of Health and Family Welfare and the Delhi Administration in September 1991; their reply is awaited (January 1992).

Irrigation and Flood Control Department

15. Increasing the capacity of Najafgarh Drain

15.1. Introduction

The Najafgarh drain, the main drainage in Delhi, takes off from the Najafgarh 'Jheel' in Haryana and carries run off from the adjoining districts of Rohtak and Gurgaon and the Sahibi 'Nadi'. It then traverses a distance of 51 kms. in Delhi and falls into the Yamuna. It is the only outlet channel for a basin area of 10,780 sq. kilometres lying mainly in Haryana and Delhi. Due

to heavy rainfall in 1977 the flow of the Sahibi 'Nadi' breached the Najafgarh drain at many places and flooded rural and urban areas of Delhi. In 1978, it was proposed to increase the capacity of the Najafgarh drain. The project, on completion, was expected to prevent damage to the agricultural land and crops in rural areas and houses in the urban areas (loss estimated at Rs.82 lakhs per year), allow for two crops in 20 per cent of the rural land, and enhance the land value in rural and urban areas giving an annual benefit of around Rs.323 lakhs.

15.2 The project

The Master Plan for flood control of Sahibi Nadi and Najafgarh drain (drain), prepared in 1978 by the Central Water Commission was for increasing the capacity of the drain from 3,000 cusecs to 8,000 cusecs from Dhansa bund upto the Kakraula regulator and to 10,000 cusecs from the Kakraula regulator to its outfall into the Yamuna. The plan was sanctioned as a project by the Ministry of Agriculture and Irrigation (Ministry) in May 1979 at an estimated cost of Rs.18.02 crores for completion by May 1984. The work was started in December 1979 but by March 1984 it had progressed only 40.32 per cent physically and expenditure incurred was Rs.20.22 crores.

Increase in the estimates from Rs.18.02 crores to Rs.37.11 crores was made (i) to provide for increase in prices (Rs.572.58 lakhs), (ii) compensating for under-provisioning in original estimates (Rs.305.51 lakhs), (iii) change in scope of work, design and additional requirement (Rs.630.81 lakhs), (iv) compensating for inadequate investigation (Rs.353.32 lakhs), and (v) other reasons (Rs.46.65 lakhs). In the revised estimates, the annual benefit was raised to Rs.559 lakhs from Rs.323 lakhs.

15.3 Implementation of the project

The main items of work to be executed under the project and the work done upto August 1991 are given below:-

Sl. No.	Item of work	Estimated expenditure (in lakhs of rupees)	Quantity as per estimate	Quantity executed upto August 1991	Balance work to be executed
1.	Land acquisition	472.00	1,342 acres	1,242 acres	100 acres
2.	Earth work	1,575.45	171 lakh cu.m	167 lakh cu.m	4 lakh cu.m
3.	Pitching work	46.94	41,691 Sqm	40,691 Sqm	1,000 Sqm
4.	Additional regulators	159.65	2 Nos	1 No.	1 No.
5.	Bridges	438.55	16 Nos	15 Nos	1 No.
6.	Inlets	106.79	146 Nos	146 Nos	NIL
7.	Others	911.46	NA	NA	NA
Total		3,710.84			

Note: NA= Not Available

Expenditure upto 31 March 1991 was Rs.38.51 crores. On the short fall in project implementation, the department stated (August 1991) as follows:-

- (i) the shortfall in land acquisition and earth work was due to technical reasons,
- (ii) the remaining pitching work was not executed due to proposed changes in the Chhawla Bridge by the Municipal Corporation of Delhi,

(iii) the work in respect of the remaining regulator was awarded in May 1991, and

(iv) one bridge could not be constructed due to inter-state dispute.

15.4 Execution of works

In 1982-83 and 1983-84, desilting was done at a cost of Rs.43.11 lakhs. Again Rs.19 lakhs were spent between 1986-87 and 1989-90 on desilting in the same reach. The desilting was done departmentally as well as through contractors. But desilting was done twice in the reach (1,34,850 to 1,45,000) through contractors. On the second occasion, the reach was split up into six sub-reaches but desilting work in the sub-reach from 1,43,000 to 1,45,000 was not done at all. Work in the five sub-reaches was to be completed by April/May 1987. In one sub-reach it was completed in June 1987 and in the other four, work was abandoned by the contractors. The desilting work in five sub-reaches has, therefore, not been completed so far (September 1991).

(i) The works of widening and desilting of the drain, construction and extension of bridge, construction of regulators, pitching work, excavation and construction of inlets valuing Rs.1,147 lakhs were executed under contracts awarded (on the basis of tenders) between 1979-80 and 1990-91. But work orders amounting to Rs.161.33 lakhs were issued during the years 1980-81 to 1990-91 without calling for tenders. The nature of urgency of the work was not on record in 144 cases valuing Rs.48.42 lakhs. Under the rules, the divisional officers should as far as possible call for tenders for all works costing more than Rs.2,500. Only in emergent cases or when the interest of the work demands, the divisional officers may (after recording nature of

urgency in writing) award works without call of tenders.

(ii) Overpayment to a contractor.- The work of "Increasing capacity of Najafgarh drain from Dhansa Regulator to Bharat Nagar Bridge" was awarded to a contractor in March 1982 at a cost of Rs.16.62 lakhs for completion by October 1982. The work was not completed in the stipulated period and it was foreclosed by the department in July 1983.

The contractor was overpaid Rs.2.28 lakhs as detailed below:-

- (a)** Payment for 2.14 lakh cu.m of earth work was made to the contractor on the basis of measurements made by burrow pit method instead of actual measurement (2.06 lakh cu.m) by cross-section method. This resulted in excess payment of Rs.0.86 lakh.
- (b)** The contractor carried out additional earth work of 9003.44 cu.m and 13394.14 cu.m of substituted items of work. He was paid at the rate of Rs.9.97 per cu.m against the approved rate of Rs.5.30 per cu.m for earth work and Rs.4.25 per cu.m for substituted items of works. As a result, the excess payment was Rs.1.19 lakhs (Rs.0.42 lakh for extra work and Rs.0.77 lakh for substituted item) was made.
- (c)** The contractor did not execute the work upto the designed level. Consequently, reduction in rate from Rs.9.97 to Rs.9.23 per cu.m of earth work was ordered. Meanwhile, payment had already been made at the higher rate resulting in overpayment of Rs.0.38 lakh which was not recovered except for Rs.0.15 lakh which was due to him on account of extra work executed.

Though more than eight years have elapsed since the completion of the work in July 1983, the overpaid amount of Rs.2.28 lakhs have not been recovered from the contractor so far (September 1991).

(iii) Non-recovery from contractor.- A sum of Rs.28.35 lakhs was recoverable from various contractors (from July 1983 to December 1988) because of abandonment of work by them and rescission of contracts. But the amount has not been recovered so far (September 1991).

(iv) Non-adjustment of advance.- The department made an advance payment of Rs.74 lakhs to the Deputy Commissioner, Delhi in February 1986 for acquisition of land. The details of the acquisition and amount paid to the land owners from the advance has not been obtained from the Deputy Commissioner so far (September 1991).

(v) Avoidable expenditure on vehicles.- Nine trucks and two matadors were purchased under the project between August and November 1982 at a cost of Rs.17.77 lakhs and Rs.1.55 lakhs respectively. But two of the trucks were transferred to work not falling under the project. One matador was also similarly transferred in October 1983 after utilising it only for one year. Thus, Rs.5.26 lakhs spent on the purchase of these vehicles from the project funds were not legitimate.

(vi) Under-utilisation and diversion of special tools and plant.- As a large quantity of earth work was to be done by departmental machines, 6 draglines and 3 bull dozers were purchased (during the year 1979-80) at a cost of Rs.110.66 lakhs and Rs.63.27 lakhs respectively. The machines were deployed on the project in one shift and not for the two or three shifts of the project. The overall short fall of 5,043 working hours in use of the machines was attributed to break down, etc.

Often the machines remained un-utilised for a whole month for want of work.

Two draglines were transferred from the project in April 1984 and two in April 1985 though cost was debited to the project. Inclusion of the cost of all the six draglines costing Rs.110.66 lakhs in the project was, therefore, not proper.

The matter was referred to the Ministry of Water Resources and the Delhi Administration in October 1991; their reply is awaited (January 1992).

16. Syphon under construction for over ten years

Mention was made in paragraph 3.7.1 of the Report of the Comptroller and Auditor General of India for the year 1985-86 of the delay in the construction of a Syphon work at Coronation Treatment Plant to cross a supplementary drain. The work was to start in October 1982 and was to be completed by October 1983 at a cost of Rs.17.88 lakhs. The contractor expired in November 1983 when the work was incomplete. On the request of the widow, the balance work was assigned to her in January 1984.

Because the progress of work was slow, a show cause notice was issued in October 1985 and another in January 1986 and the contract was rescinded in June 1986 at the risk and cost of the contractor. By then Rs.20.04 lakhs had been paid to the contractor.

The balance work was awarded to another contractor in October 1989 for completion within six months at a negotiated price of Rs.14.06 lakhs which was 96.10 per cent above the estimated cost of Rs.7.17 lakhs. The second contractor was paid Rs.11.71 lakhs till August 1991, but he too failed to complete the work even one year after the stipulated period of completion (April 1990). Sixteen per cent of the work was still to be completed. There was, however, no possibility of the work being completed because the syphon under construction could not be made functional due to

excessive leakage at the joints and at the walls constructed by the earlier contractor.

In the result, the expenditure of Rs.31.75 lakhs incurred on the construction of the syphon at the Coronation Treatment Plant proved infructuous. No responsibility had been fixed.

The matter was referred to the Ministry of Water Resources and the Delhi Administration in September 1991; their reply is awaited (January 1992).

17. Poor contract management

The accounts of the Public Works Department and Irrigation and Flood Control Department relating to the period April 1986 to March 1991 were test checked in Audit between May and August 1991 and the findings are given below:-

- (i) In 26 cases the departments claimed compensation amounting to Rs.20.51 lakhs under Clause 2 of the contract providing that the contractor shall pay as compensation an amount equal to one *per cent* of the estimated cost of the work for every day the work is not commenced or remains unfinished after the stipulated dates of commencement and completion subject to ceiling of ten *per cent* of the estimated cost of the work. But the claim was set aside by the arbitrator because timely notices were not issued to the contractors by the department of the intention to recover compensation for failure to complete the work in time which is a requirement under section 55 of the Indian Contract Act. The department also could not prove that its loss was due to delay in completion of work by the contractor which is a requirement under section 74 of the Indian Contract Act.
- (ii) In 28 cases the departments had ordered recoveries of Rs.35.41 lakhs from the contractors because of defective work which

was paid for. The recoveries made at full rate were subsequently reduced. But the recoveries were held to be illegal by the arbitrator because the department was expected to verify the correctness and admissibility of the payments before making them to the contractor.

- (iii) In 44 cases, the departments did not allow increase of Rs.23.18 lakhs in prices of materials incorporated in the works which was the direct result of the coming into force of fresh law, rule or order and which increase exceeded 10 per cent of the price and/or wages prevailing at the time of receipt of the tender for the work. This was done because the increase was also the result of delay in the execution of the work by the contractor and the contract had been rescinded. The arbitrator allowed the increase on the ground that the department illegally rescinded the contract.
- (iv) In 28 cases, at the instance of the department, the contractor executed extra items of work at higher rates over what was provided in the contract, but subsequently the rates for the items of work were reduced by the departments and recoveries of Rs.8.70 lakhs were effected from the contractors. The arbitrators set aside the recoveries made by the department as the increase had been agreed to by the department earlier.
- (v) The departments had ordered recovery of Rs.1.16 lakhs in six cases from the contractors for failure to employ engineers and diploma holders as required under the contract. The recovery was set aside in arbitration on the ground that notice was not served on the contractor till the

stipulated date of completion of work as was required under the law.

- (vi) In 6 cases the contractors had not returned the material issued in excess of theoretical consumption limits and the department had ordered recovery of Rs.2.80 lakhs. But the recoveries were set aside in arbitration because timely notices on the excess use of material had not been issued by the department to the contractors.
- (vii) Due to delays by the departments in handing over sites, etc. to contractors, claims of contractors for Rs.8.57 lakhs were upheld by arbitrator.
- (viii) In 44 cases the departments' claims for Rs.58.31 lakhs were rejected by the arbitrators as the departments could not produce any evidence of loss actually incurred by them due to prolongation of contract or because departments had wrongly rescinded the contracts for the works.
- (ix) Because of poor contract management, the departments had received adverse verdicts in 98 of the 112 cases in which arbitration awards had been announced during the period covered in Audit. The departments had done nothing to learn from the adverse verdicts of the past and to improve contract management in the departments.

The matter was referred to the Ministry of Urban Development and the Delhi Administration in October 1991; their reply is awaited (January 1992).

Land and Building Department

18. Use of funds meant for benefit of landless labourers

A scheme for construction of 15,000 tenements for landless labourers was formulated by the Delhi Development Authority (DDA) at an estimated cost of Rs.20 crores. The scheme was aimed at providing tenements to 15,000 of the 20,000 families of landless labourers residing in 111 villages of Delhi. The scheme was forwarded by the Land and Building Department to the Ministry of Urban Development in October 1986.

The scheme provided that 10 per cent of the cost of the unit was to be realised from the beneficiary as registration deposit and the remaining amount was to be recovered in 180 monthly instalments for fully built up dwelling units and in 120 monthly instalments for skeleton as well as core dwelling units. A built up unit was estimated to cost Rs.25,000, a skeleton unit Rs.9,000 and a core unit Rs.6,000.

For the construction of 15,000 units, 150 hectares of land was required, but only 34 hectares of land, enough only for 3,500 units, was available in 29 villages. In the budget for 1986-87 an outlay of Rs.2.17 crores was approved by the Parliament for construction of tenements for landless labourers of Delhi. This amount was reduced to Rs.20 lakhs in the revised estimates by the department. An amount of Rs.20 lakhs was released as loan to DDA on 31 March 1987. In the Budget Estimates of 1987-88, provision for Rs.50 lakhs was made for the scheme and was approved by the Parliament. The DDA reported on 8 March 1988 that required number of flats for the landless labourers had been constructed but the question of

identification of labourers (for registration) was under consideration. However, DDA did not indicate the number of units under the 3 categories constructed by it or the expenditure incurred on them. DDA furnished in March 1988, a utilisation certificate to the Delhi Administration for the amount of Rs.20 lakhs. A further sum of Rs.50 lakhs was paid by the department again as loan to DDA on 30 March 1988 on the condition that the amount would be adjusted if the scheme was not approved by the Ministry within 60 days.

In March 1991 DDA stated that the flats constructed under the scheme had been allotted to those who had registered under Janata Scheme. In other words they were not made available to the landless labourers. About refunding the amount of Rs.70 lakhs to the Delhi Administration, DDA stated that it was a policy matter.

In response to a request from the Delhi Electric Supply Undertaking (DESU) received in March 1988, payment of Rs.100 lakhs to DESU was approved by Government of India, towards electrification of house sites allotted to landless labourers under the 20 Point Programme. The amount was approved by the Parliament in the budget for 1987-88 under the head "2801-E.2-Power-E(1)(1)(1) DESU for Electrification of House sites allotted to landless labourers under 20 Point Programme". The amount was released as grant-in-aid without specifying the work to be undertaken by DESU. On enquiry in Audit about the utilisation of the amount, DESU stated (July 1991) that the amount of grant-in-aid had been adjusted by the Delhi Administration against the grant (as part of that grant) payable by it to DESU for 1988-89 which was released on 30 March 1989. In other words the amount of Rs.100 lakhs was still lying with the Delhi Administration and had not been applied for the purpose for which it was approved by the Parliament.

The matter about the lack of control over the funds released by the Ministry for the specific purpose of benefit to the landless labourers was referred to the Ministry of Urban Development in December 1990 and again in August 1991; their reply is awaited (January 1992).

Directorate of Social Welfare

19. Diversion of grant for undernourished children to pay for staff

"Special Nutrition Programme" (SNP) was undertaken in 1971-72 by the Directorate of Social Welfare as a centrally sponsored scheme to provide nutritious supplementary food to undernourished children in the age group of 0-6 years and expectant or lactating mothers in the poor segments of the society. The programme became a component of the Integrated Child Development Scheme from August 1984. As a result, the number of SNP centres came down from 431 in 1981-82 to 227 in 1986-87. This rendered 7 members of staff engaged under the SNP surplus. But the officials were retained in service for the period ranging from 1 year and 8 months to 7 years and 10 months in the Directorate administering the SNP or in its associated offices. No posts were sanctioned to accommodate them. Rupees 8.70 lakhs were spent upto February 1991 on their salaries but the amount was debited to the SNP scheme depriving the beneficiaries from the benefits of the scheme to that extent.

The department stated in September 1990 that the Directorate had decided to evaluate the overall staff position and would create or abolish posts on the basis of the evaluation that will be

carried out. The reply was silent as to why this was not done in the past 1 to 7 years.

The matter was referred to the Ministry of Human Resource Development and the Delhi Administration in September 1991; their reply has not been received (January 1992).

Directorate of Training and Technical Education

20. Delay in allotment of residential accommodation

The Public Works Department constructed 76 residential flats (15 type-A, 15 type-B, 45 type-C and 1 type-D) in May 1987 at a cost of Rs.61.38 lakhs. The flats were handed over in February 1988 to the Industrial Training Institute (ITI), Shahdara. Out of 45 type-C flats, 4 flats had not been allotted (August 1991) and 14 flats were occupied only in April 1991. The delay in allotment of flats resulted in a loss of Rs.3.60 lakhs in licence fee (rent) and payment of house rent allowance (HRA) to the employees upto March 1991.

In four cases, allottees had retired or were transferred but had remained in their flats for 22 to 44 months (September 1991). Action to evict them had not been taken.

The registers of allotment and rent realisation were not maintained properly. Date of allotment, re-allotment and vacation were not recorded. Realisation of licence fee was also not recorded in all cases. In the absence of proper records, it could not be ascertained whether licence fee, electricity charges, etc. were being recovered regularly from the allottees by the ITI. Non-

utilisation of 18 flats for more than three years resulted in avoidable loss of Rs.3.60 lakhs.

The Delhi Administration stated (September 1991) that the proposal for construction was initiated in 1981, but by the time the flats were completed (February 1988), demand had decreased as employees of ITI were given allotment of flats out of general pool accommodation. Also, enhancement of HRA as per recommendations of the Fourth Pay Commission and the fact that the newly constructed flats lacked basic amenities depressed the demand for flats from employees of ITI. The reply is silent on whether flats are not needed, and if so, why they have not been merged into general pool accommodation of the Delhi Administration and why basic amenities have not been provided by Delhi Administration as in the houses of general pool accommodation.

The matter was referred to the Ministry of Human Resource Development in September 1991; their reply is awaited (January 1992).

21. Funds for rural development

A scheme called "Community Polytechnic in India" was started by the Government of India, Ministry of Education and Culture (now Ministry of Human Resource Development) (Ministry) in the year 1978-79. The scheme was designed to provide scientific and technological inputs in rural development. Initially, 35 polytechnics were to be opened in various parts of the country. In Delhi, the scheme was commenced in November 1984 in the Govind Ballabh Pant Polytechnic (polytechnic).

In April 1986, a candidate who was refused admission to the polytechnic challenged the scheme in the Supreme Court on the ground of its being violative of Articles 14,15, 19(1)(g) and 29 of the Constitution of India alleging that it catered

to a particular community. Pending final decision of the Court, the Ministry in consultation with the Ministry of Law issued instructions to start the scheme in 1989 with certain modifications.

The Ministry sanctioned Rs.2.50 lakhs and Rs.1.50 lakhs in October 1984 and 1985 respectively to the polytechnic in Delhi. The Ministry sanctioned another sum of Rs.3 lakhs in January 1989 to the polytechnic for the purchase of personal computers. In all, only Rs.0.40 lakh had been spent till August 1991, by the polytechnic.

The Directorate of Training and Technical Education stated (August 1991) that delay in implementation of the scheme and non-utilisation of funds was beyond their control and was due to non-availability of suitable staff and restriction on remuneration that can be paid to them.

The matter was referred to the Ministry of Human Resource Development and the Delhi Administration in (September 1991); their reply has not been received (January 1992).

**Directorate for the Welfare of Scheduled Castes
and Scheduled Tribes**

**22. Management failure in administration of scheme
to benefit scheduled castes/scheduled tribes**

Schemes for the socio-economic development of scheduled castes (SCs) and scheduled tribes (STs) are to be implemented by the Directorate for the Welfare of Scheduled Castes and Scheduled Tribes (Directorate). A test check of expenditure of the Directorate on schemes for benefits to the SCs and STs revealed the following:-

(i) Use of work centres for benefit of SCs.-

The Directorate released Rs.125.92 lakhs to the Slum Wing of the Delhi Development Authority (DDA) from 1982-83 to 1985-86 for construction of Industrial Work Centres. DDA also received funds from the Directorate of Industries (now office of the Commissioner of Industries) and constructed 3,157 work centres for SCs and non-SCs in resettlement colonies. In November 1988, Delhi Scheduled Castes Financial and Development Corporation (DSCFDC) wanted to take over 238 work centres lying vacant in the area predominantly inhabited by SCs. Out of 238 work centres costing Rs.109.47 lakhs, 126 work centres had been handed over to DSCFDC in November-December 1991 for allotment, the possession of remaining 112 work centres had not been taken as major repairs were required to make them useworthy. None of the work centres has been allotted to the beneficiaries so far (February 1992). As a result, this expenditure has not led to any benefit to SCs.

(ii) Non-use of Dhobi Ghats for benefit of SCs.-

DDA constructed (July 1986) 42 dhobi-ghats at a cost of Rs.103.45 lakhs, but these dhobi-ghats did not have facilities for water or electricity. As a result, the ghats remained unutilised and walls cracked requiring major repairs. The Delhi Administration sanctioned (October 1989) Rs.33.20 lakhs to DDA for installation of tubewells and repair of the ghats. Out of 42 dhobi-ghats, 28 were stated to have been allotted to the beneficiaries (February 1992). Utilisation certificate for the amount of Rs.33.20 lakhs had also not been received from DDA (September 1991).

In response to an Audit query, the Directorate stated (July 1991) that a proper

evaluation study was needed and a proposal to strengthen the Monitoring and Evaluation Cell had been approved by the Planning Commission and that an evaluation of the scheme would be undertaken on the availability of requisite staff.

(iii) **Pig sheds.**- The Directorate released a sum of Rs.9.50 lakhs between 1982-83 and 1983-84 to DDA for construction of 472 pig sheds in various Jhuggi Jhonpri or slum colonies. The target was approved by the Planning Commission. 416 pig sheds were constructed at a cost of Rs.60.49 lakhs and 238 were reported to have been allotted by the DDA to SC families. In February 1986, it was decided to discontinue the scheme. The identification of beneficiaries of 178 pig sheds was stated (February 1992) to be in progress. As the pig sheds were allotted to the beneficiaries by DDA (slum wing), there were no records in the Directorate to verify if allotment had in fact been made to SC beneficiaries and in what manner.

(iv) **Shops.**- DDA constructed 2,638 shops at a cost of Rs.224.66 lakhs which were allotted to SCs on hire-purchase basis. The money recovered from the beneficiaries under the hire-purchase agreement was not transferred by DDA to the Delhi Administration which had made the funds available for the construction of shops.

The matter was referred to the Ministry of Welfare in October 1991; their reply has not been received (February 1992).

Public Works Department

23. Non-adjustment of advances

Rupees 313.16 lakhs were advanced during the years 1971 to 1983 by the Public Works Department (PWD) to nine other departments and local bodies for executing the following works:-

Years in which advanced	Agency to which advances paid	Amount of advance (in rupees)	Purpose of advance
December 1979 to March 1982	Northern Railway	2,75,11,608	Widening of Railwa over-bridge and approach roads.
December 1976 to September 1983	DESU	18,35,113	Electrical works.
March 1971 to August 1979	MES	11,65,100	Civil works.
March 1982	Horticulture Department	5,93,400	Plantations.
March 1982	DDA	77,000	Widening of Nallah
March 1981	CDA Meerut	55,000	For shifting of electric poles.
April 1977 to May 1982	MCD	54,563	Canal works.
November and December 1981	DET-Gurgaon and Karnal	13,863	Shifting of Telephone poles.
March 1982	SDO (W) Jamuna Canal	10,000	Security deposit for bridge work.

The amounts are still outstanding in the books unadjusted. The department did not monitor the advances given by it and allowed them to remain outstanding in its books for long periods.

Chief Engineer stated in August 1991 that no formal agreement was executed with the other departments and the advance payments were made to them on the basis of their estimates for the works which they were to execute. He further stated that the works had been completed as per design, scope and specification. There was no practice of these organisations rendering accounts and there was no alternative but to treat the advances as final payment for the work done. The reply of the department goes contrary to the procedures in PWD for contracting out works and making payments against detailed bills or against lump sum contracts after measurement and /or check.

The matter was referred to the Ministry of Urban Development and the Delhi Administration in October 1991; their reply has not been received (January 1992).

24. Delay and non-recovery of dues from a contractor

The construction of Government Higher Secondary School at Jai Dev Park, Rohtak Road was awarded to a contractor in August 1982 for a negotiated sum of Rs.37.34 lakhs. There was delay in furnishing drawings to the contractor.

The work was not completed by the scheduled date of August 1983 or revised date of October 1984. The contract was rescinded in February 1987.

The balance work was awarded to another contractor in September 1987 and work was completed in May 1988.

Show cause notice for taking action under the agreement was issued to the defaulting contractor only after 18 months from the stipulated date of completion of work. Orders for recovery of Rs.2.54 lakhs from the contractor for delay were issued more than four years after the rescinding of the contract.

There was delay of about 5 years and extra expenditure of Rs.1.08 lakhs in completing the work. Cost of material issued to the first contractor (Rs.0.41 lakh) is still to be recovered even after four years of rescinding of the contract.

The matter was referred to the Ministry of Urban Development and the Delhi Administration in August 1991; their reply has not been received (January 1992).

25. Delay in finalisation of tenders

The Public Works Department invited tenders in August 1988 for widening the Delhi-Mathura Road (NH-2) from 4 lanes to 6 lanes from the point at 8.30 kilometres to the point at 12 kilometres, at an estimated cost of Rs.75.34 lakhs.

The lowest tenderer had quoted 1.56 *per cent* above estimates and the second lowest tenderer 11.17 *per cent* above the estimates. But they did not furnish the list of works successfully completed by them.

The lowest tenderer did not respond to invitation for negotiation and tenders were re-invited. On re-invitation in March 1989, a single tender at 148.43 *per cent* above the estimated cost of Rs.75.34 lakhs was received. It was rejected in April 1989 and tenders were again called in May 1989, whereupon work was awarded to lowest

tenderer in August 1989 at a negotiated rate of Rs.101.96 lakhs which was 35.33 per cent above the estimated cost of Rs.75.34 lakhs. It was stipulated that the work was to be completed by July 1990. The contractor started the work in September 1989 which was still in progress (May 1991).

The original tenderer in his letter of 17 December 1988 denied that he was invited for negotiations. The third lowest tenderer in the original invitation of tender had offered to complete the work at a cost of Rs.85.42 lakhs which was 13.37 per cent above the estimated cost of Rs.75.34 lakhs. He had also furnished his past performance reports. The reasons for trying to negotiate only with the lowest tenderer whose tender was considered unreasonably low and why offer of third lowest tenderer was ignored, have not been given nor were they on record.

The lowest and second lowest tenderers who quoted against the first invitation for tender also quoted against the third tender but their rates were 39.66 per cent and 46.94 per cent above the estimates as against 35.33 per cent above, of the lowest tenderer in the third invitation for tenders. The third lowest tenderer against first tender did not quote at the third invitation.

The failure of the departmental authorities to award the work to the third lowest and technically acceptable tenderer on the first invitation of tenders resulted in extra expenditure of Rs.16.54 lakhs.

The matter was reported to the Ministry of Urban Development in July 1991; their reply is awaited (January 1992).

General

26. Losses and ex gratia payments

A statement showing losses and ex gratia payments made during 1990-91 is given in Appendix-III to this Report.

CHAPTER-IV

DELHI DEVELOPMENT AUTHORITY

27. Accounts

The Delhi Development Authority (DDA) was set up by a Statute in 1957 with the objective of promoting and securing development of Delhi in accordance with the Master Plan. Accordingly, DDA carries out building, engineering and other works.

DDA derives funds from disposal of lands, buildings and other properties, grants and loans from the Central Government, and fees, rents, etc. charged. DDA is required to prepare an annual statement of accounts including the balance sheet. The accounts of the DDA are audited by the Comptroller and Auditor General of India under section 25 (2) of the Delhi Development Act, 1957, read with Section 19 (2) of the CAG's (DPC) Act, 1971.

A summary of receipts and payments for 1990-91 and preceding two years and assets and liabilities at the end of the year is given below:-

SUMMARY OF RECEIPTS AND PAYMENTS

(in crores of rupees)

Sl. No.	Name of Wing	Year					
		1988-89		1989-90		1990-91	
		Receipt	Payment	Receipt	Payment	Receipt	Payment
1.	Opening balance	54.46	-	16.58	-	23.55	-
2.	General Development Account	815.00	824.59	927.17	918.96	938.25	930.49

3.	Nazul Account-I	11.57	18.74	4.00	4.35	7.93	4.84
4.	Nazul Account-II	194.99	195.15	227.52	227.27	300.91	301.32
5.	Nazul Account-III	14.96	15.50	5.05	5.00	26.14	19.75
6.	ISBT Account	2.03	2.70	3.45	3.45	4.52	5.10
7.	Delhi Lottery Account	32.34	32.62	44.43	44.36	53.20	53.14
8.	Slum and JJ-I	87.45	106.92	71.82	73.08	87.60	76.42
9.	Slum and JJ-II ^a	-	-	-	-	12.66	5.20
10.	Closing balance	-	16.58	-	23.55	-	58.50
Total includ- ing closing balance		1212.80	1212.80	1300.02	1300.02	1454.76	1454.76
Total Receipts/ Payments for the year (excluding op- ening & clos- ing balances)		1158.34	1196.22	1283.44	1276.47	1431.21	1396.26
Surplus (+)/ Deficit (-)			(-) 37.88		(+) 6.97		(+) 34.95

^a Separated in November, 1990 from Slum-I

SUMMARY OF BALANCE SHEETS
as on 31 March 1991

(In crores of rupees)

Sl. No.	Name of Wing	Funds & Liabilities			Property & Assets		
		Surplus/ Reserve	Other Liabilities	Total	Fixed Assets	Other Assets	Total
1.	General Development Account	386.54	542.35	928.89	57.88	871.01	928.89
2.	Nazul Account-I	10.49	38.88	49.37	1.02	48.35	49.37
3.	ISBT Account	0.87	1.45	2.32	0.01	2.31	2.32
4.	Delhi Lottery Account	15.07	2.18	17.25	0.02	17.23	17.25
5.	Slum & JJ-I	29.98	53.73	83.71	4.54	79.17	83.71
Total		442.95	638.59	1081.54	63.47	1018.07^b	1081.54

^b Includes Cash Balance of Rs.44.54 crores and Term deposits in banks of Rs.112.86 crores.

It would be seen that while 8 separate Receipt and Payment Accounts are prepared, balance sheets are prepared only in respect of 5 Accounts. In the absence of balance sheets for Nazul II, Nazul III, and Slum and JJ Wing II, the total assets and liabilities of DDA are still not being fully brought to account. This involves risk of

mis-appropriation of assets created in the past. The matter needs to be looked into and rectified immediately by drawing up complete balance sheets by reference to accounts from 1957. The value of assets as per balance sheets needs to be also agreed with the registers of assets in DDA.

28. Development of Rohini complex

28.1 Plan

A Master Plan for Delhi was prepared in 1961 by the DDA with the help of the Town Planning Organisation of the Government of India and the Ford Foundation. As a result DDA launched a scheme in 1980 for developing 2,500 hectares of land (Rohini) in North West Delhi for construction of 1.70 lakh houses by 1985-86. Out of 2,500 hectares of land, 1,413 hectares were to be allocated for residential areas and the rest for commercial and industrial areas for public, semi-public, recreational and circulation functions.

28.2 Achievements

28.2.1 *Land.*- DDA has acquired 1,756 hectares of land. The remaining 741 hectares originally visualised could not be acquired due to encroachments. The DDA has, so far, notified (November 1990) for acquiring 700 hectares more of land.

Utilisation of the acquired land was as follows:-

Sector	Plan (i n h e c t a r e s)	Use of land acquired
Residential	1,413.00	1,342.00
Industrial	482.50	NIL
Commercial	108.50	85.00
Public and Semi public	126.42	81.00
Recreational	211.50	160.00
Circulation	155.39	82.00
Total	2,497.31	1,750.00

Against the target of developing 1,17,016 residential plots in five years, DDA developed only 30,732 plots (26 per cent) upto September 1991. DDA, however, allotted 41,060 plots (July 1991). While plots had still to be developed for 10,328 allottees, to 43,964 more persons who are registered, residential plots are still to be allotted.

28.2.2 Finance.- The expenditure and receipts under Rohini scheme during the years 1980-81 to 1990-91 are given below, alongside estimates:-

(in lakhs of rupees)

Year	Budget estimates		Actuals	
	Receipts	Expenditure	Receipts	Expenditure
1980-81	--	37.80	--	74.10
1981-82	--	229.00	--	321.54
1982-83	586.00	1,115.00	336.61	699.35
1983-84	725.00	1,008.30	211.57	748.00
1984-85	759.00	766.15	157.50	619.67
1985-86	779.30	924.10	1,591.71	723.28
1986-87	--	902.50	22.82	546.65
1987-88	1,092.00	1,457.50	538.21	990.03
1988-89	4,080.80	2,488.55	1,055.32	1,741.26
1989-90	891.95	1,273.13	717.25	3,004.66
1990-91	317.10	2,813.35	529.76	3,304.65
	9,231.15	13,015.38	5,160.75	12,773.19

While the scheme was only partially implemented, expenditure was almost near the estimate for the full scheme. Receipts had not been raised to catch up with the escalation in expenditure.

The increase in expenditure was because estimates for works were not realistic. In 183 works, extra and substituted items valuing Rs.1,094.18 lakhs were got executed after the commencement of works resulting in avoidable disputes with the contractors.

28.2.3 Water.- The requirement of water for the Rohini complex was assessed at 50 million gallon per day (mgd). The Municipal Corporation of Delhi (MCD) had expressed its inability to supply the required quantity of water. Still, DDA initiated action for laying the water distribution lines. Only 20 per cent of the requirement of water was supplied by the MCD and the peripheral supply lines laid at a cost of Rs.273 lakhs were under-utilised after March 1991. Making alternative arrangements for supply of water, using tubewells with underground sumps and transporting water in private tankers, cost the DDA Rs.58 lakhs. Five tubewells sunk at a cost of Rs.22.49 lakhs were abandoned as the water was not fit for drinking.

DDA commenced construction of four overhead tanks in anticipation of the approval of Delhi Urban Art Commission (DUAC). DUAC advised that the water towers be integrated with tall buildings. Still, DDA constructed four free standing towers during 1981-82 to 1988-89 at a cost of Rs.129.18 lakhs against only three approved by the DUAC. But the tower tanks could not be utilised because of low water pressure in the supply received from MCD. As a result, the Rohini complex had insufficient supply of water.

In sectors IV and V, contractor did not complete the work, but DDA paid Rs.49.15 lakhs to the contractor against the tendered cost of Rs.29.82 lakhs. The balance work was got done from another contractor at an additional cost of Rs.2.68 lakhs.

Construction of overhead tank in Sector VI was not completed by the contractor. Still, DDA paid Rs.16.60 lakhs against the tendered cost of Rs.14.50 lakhs, and did not impose any penalty. The remaining work was awarded to another contractor at a cost of Rs.2.22 lakhs and is still incomplete (September 1991).

Due to lack of care during laying of storm water drains in sectors IX, XIII and XIV, the water lines were damaged. DDA relaid the water lines in May 1990 at a cost of Rs.5.16 lakhs. No action was taken against the contractor who damaged the water supply lines.

28.2.4 *Sewage* .- The sewage treatment plant for some residential sectors was completed only by December 1988 and sewage lines in September 1990. But residential plots were allotted from 1982 onwards. Therefore, alternative arrangements had to be made for sewage disposal by constructing oxidation ponds, pump houses, sump wells, etc. at a cost of Rs.18.47 lakhs. With the completion of the sewage lines and treatment plant, the interim facilities were dismantled at a cost of nearly Rs.3 lakhs. The expenditure of Rs.21 lakhs could have been avoided with better planning and co-ordination. Similarly, temporary measures costing Rs.27 lakhs were taken for sewage disposal in some other sectors of the complex due to delay in completion of trunk sewerage system.

28.2.5 *Storm water drains*.- Though allotment of plots had started in 1982, work on storm water drainage system was commenced only in 1988. Of the nine drains to be constructed, only 5 have been completed so far (September 1991) at a cost of Rs.6.54 crores. Rupees 21.77 crores have already been spent on the remaining 4 drains under construction (March 1991).

With laying of storm water drains, the roads were damaged and had to be reconstructed at a cost of Rs.17.80 lakhs. Further, cables of Delhi Electric Supply Undertaking (DESU) were damaged at a number of places for which a claim of Rs.62 lakhs was lodged by DESU. No action has been taken against the contractors on the loss (September 1991).

28.2.6 *Services.*- The water supply and sewage system were not handed over to the municipal authorities because of shortcomings and defects pointed out by the MCD. In the meantime, Rs.355 lakhs were spent during years 1988-91 by the DDA on upkeep of essential services.

DDA collected water charges from the consumers in the Rohini complex and deposited it with MCD. The cost of collection was borne by the DDA.

28.2.7 *Quality Control.*- In about 80 per cent of the works the quality of material used was sub-standard. Out of 366 samples taken by the Quality Control Cell during the years 1981-91, only 71 (20 per cent) passed the requisite tests. Recoveries were effected from the defaulting contractors only in 12 cases out of 264 cases of use of sub-standard material revealed in Quality Control.

The above findings were reported to the Ministry of Urban Development and DDA in November 1991, their reply is awaited (January 1992).

29. Construction of Asian Games Village Complex at Siri Fort

The work of construction of 200 dwelling units at Siri Fort area (Phase-II) was awarded by the Executive Engineer (EE), Asian Games Division-II, Delhi Development Authority (DDA) to a firm in October 1980 at their tendered amount of Rs.249.48 lakhs against the estimated cost of Rs.152.21 lakhs. The large difference between the estimated and tendered rates was due to the fact that the former were prepared on the basis of Delhi Schedule of Rates, 1977(DSR) and not up-dated to 1980 prices when the work was tendered. The work was completed in December 1982 for Rs.249.41 lakhs.

During the execution of work, a dispute arose over rates sanctioned by EE for certain

substituted items like grit wash plaster with different mixes, pressed steel door frames, window frames and window shutters, etc. The matter was referred to an arbitrator by DDA in July 1982. The firm submitted a claim for Rs.40.08 lakhs against which a counter-claim for Rs.4.11 lakhs was submitted by the DDA.

The arbitrator awarded Rs.20.10 lakhs to the contractor on the ground that in one case rates for specifications of substituted items could not be derived from DSR applicable to the contract and in remaining cases the deviations were beyond the permissible limit of 50 per cent of the estimated value. In addition, the arbitrator awarded interest at the rate of 15 per cent per annum for the period January 3, 1983 to February 15, 1988 amounting to Rs.18.06 lakhs. The amount of Rs.5.29 lakhs deducted by DDA on account of reduction of rates for sub-standard marble work was also rejected by the arbitrator on the ground that the work was executed under continuous supervision of DDA's representatives and no notice of defective or bad work was issued to the firm either during the progress of the work or within the defect liability period of six months. The orders of the competent authority regarding deductions from the contractor's dues on account of use of materials below specifications were also issued after nearly two years of the actual date of completion. DDA's counter claim to the extent of Rs.0.78 lakh only was accepted by the arbitrator. The award of the arbitrator was made Rule of Court by the Delhi High Court in February 1988 dismissing the objections raised by the DDA. Accordingly, a sum of Rs.41.57 lakhs (net) including interest of Rs.18.06 lakhs was paid to the firm in April 1988.

The DDA still held in its reply (July 1991) to Audit that the specifications for substituted items were well defined. On the use of sub-standard marble DDA stated that (in its view) only geological experts or engineers with expertise in

this field could differentiate between the Raj Nagar and Makrana marble and the DDA engineers did not possess the requisite expertise. It is not clear why DDA did not take care to use the expertise well in time which it used later to hold that the marble was substandard.

In the result, failure in contract-management led to infructuous expenditure of Rs.38.16 lakhs.

The matter was referred to the Ministry of Urban Development in September 1991; their reply is awaited (January 1992).

30. Price preference to Public Sector Undertaking

The work of "Construction of 232 houses under Self Financing Scheme at Paschimpuri" was awarded by an Executive Engineer (EE) of Delhi Development Authority (DDA) to contractor 'A' in July 1989, at his tendered cost of Rs.138.83 lakhs (30.50 per cent above the estimated cost of Rs.106.38 lakhs). The work was to be completed by October 1990.

In one case, the Supreme Court had held that once Government decides to award contract on the basis of bid by tender, it must abide by the terms of the tender. In the absence of any policy, award of contract to a government undertaking by granting price preference and rejecting the most suitable offer of a private contractor, in contravention of terms of tender, was violative of Article 14 of the Constitution. Thereupon, the Work Advisory Board of the DDA (WAB) had decided on 4 December 1987 that if price preference is to be given to a public sector undertaking (PSU), a suitable condition should be incorporated in the Notice inviting tender (NIT). For the construction of the 232 houses, a PSU had earlier quoted Rs.120.83 lakhs which was 13.58 per cent above the estimated cost. The PSU was the 18th lowest tenderer and the first lowest tenderer had

quoted Rs.114.82 lakhs which was 7.93 per cent above the estimated cost. The work was awarded to the PSU by the WAB in July 1988 on the recommendations of the Government of India, Ministry of Urban Development, by giving the PSU price preference of 7.15 per cent over the lowest tender, though NIT did not mention about price preference to PSU.

The PSU failed to start the work and insisted on the DDA agreeing to compensate for any loss due to abnormal increase in the cost of raw material. The DDA did not agree, rescinded the contract in April 1989 at the risk and cost of the PSU and awarded the work to contractor 'A' for Rs.138.83 lakhs after inviting tenders. The DDA demanded the additional cost of Rs.18.20 lakhs from the PSU in July 1989. The PSU obtained stay orders from the Delhi High Court in August 1989, restraining the DDA from appropriating, adjusting or recovering any claim from them.

In the result, because the lowest tender was not accepted in December 1987, on the recommendations of the Ministry, extra expenditure of Rs.24.01 lakhs and delay of more than one year has occurred in construction of houses for those registered with DDA.

The matter was referred to the Ministry of Urban Development in September 1991; their reply is awaited (January 1992).

31. Non-recovery of licence fee and ground rent

Delhi Development Authority (DDA) is running Transport Centres at Rohtak Road (RRTC), Majnu Ka Tila (MKT) and Azadpur. They are managed by the DDA through the General Manager, Inter-State Bus Terminus (GM, ISBT). The following instances of poor management were noticed in audit:-

(a) Shops, stalls, rooms, plots and parking sites are rented out on licence or leased by auction to private parties and Government and Semi-Government Organisations. Rupees 238.11 lakhs of licence fee, ground rent, maintenance charges, electricity and water charges, interest and damages were still to be recovered from licensees (March 1991). The outstanding amount accumulated *inter-alia* on the following grounds:-

(i) 52 shops at RRTC were licensed to persons evicted from Shivaji Park in July 1981 but the licence fee was not fixed. No demand for fees was raised till June 1988. Rupees 36.17 lakhs had accumulated as arrears of licence fee by that time. Against Rs.48.04 lakhs due upto March 1991 towards licence fee on 51 shops, only Rs.3.84 lakhs had been recovered leaving a balance of Rs.44.20 lakhs still to be recovered. The position in respect of one shop could not be ascertained as the concerned file was reportedly missing.

(ii) On lease rights for 25 stalls at RRTC given out in 1987 by auction, demands were raised only in August 1990 when an amount of Rs.2.25 lakhs was due towards ground rent and maintenance charges for three years. Records of recoveries were not shown to audit.

(iii) In July 1976, a shop at ISBT was allotted for a period of five years to a licensee on a monthly fee of Rs.12,200. The licensee did not pay the licence fee regularly and stopped payment altogether after November 1977. The first notice for payment of arrears of Rs.2.62 lakhs was, however, issued only in February 1979. The lease was cancelled on 4 October 1980 and the possession was resumed on 4 January 1982. Licence fee and damages upto the date of vacation amounting to Rs.5.51 lakhs and

interest of Rs.6.80 lakhs was not recovered on the plea that the whereabouts of licensee were not known.

(iv) Another shop at ISBT was allotted on licence to two partners in July 1976 on monthly fee of Rs.16,000 for a period of five years. The licensee was not regular in paying the licence fee from the very beginning and Rs.5.84 lakhs became due upto July 1981 when the lease of the shop expired. In November 1981, action was initiated to recover the amount due alongwith damages for the period of unauthorised occupation and to evict the ex-licensee under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. In June 1982 the licensee filed a petition in a Court of Law for restraining the DDA from recovering the outstanding dues and obtained *ex-parte* orders restraining the DDA from dispossessing the petitioner. The said order was vacated by the Court in February 1985. The possession of the shop was resumed in March 1985 but Rs.19.75 lakhs due were not recovered on the plea that the whereabouts of the licensee were not known.

(v) DDA allotted 82 plots of 10 sq. metres each at MKT to persons evicted from Sanjay Market, Gulabi Bagh on licence (63 in March 1986, 13 in January 1987 and 6 in January 1988). Possession of the plots was given to the allottees after obtaining a security deposit of Rs.1,000 each and an undertaking that allottees would pay licence fee at rates fixed by DDA. The fee was fixed and demand was raised only in March 1990. A sum of Rs.8.53 lakhs was due from the allottees as on 31 March 1991.

DDA stated (December 1991) that the whereabouts of the parties from whom Rs.42.81 lakhs were due were not known. Recovery of

Rs.38.95 lakhs was subject-matter of a court case. Claim for Rs.7.72 lakhs for damages and interest due from an allottee was set aside by the Estate Officer. It was learnt that Rs.79.85 lakhs had been recovered upto November 1991 but reasons for non-recovery of balance of Rs.68.78 lakhs were not intimated to Audit.

(b) On lease rights for 142 plots and 17 shops at RRTC given out in 1973 and 1980 respectively and for 76 plots at MKT given out in 1977 and for 194 plots at Azadpur given out in 1975 by auction, ground rent or premium was not assessed or recovered.

(c) DDA was not aware of the status of 2 shops, 3 stalls and 44 plots at RRTC, 88 plots at Azadpur and 137 plots at MKT. No efforts were made by DDA to survey the properties and complete the records despite the fact that the unsatisfactory state of affairs had been pointed out by Audit in December 1989 also.

DDA stated (December 1991) that records of other properties were being got transferred from the DDA's headquarters to GM, ISBT. Reasons for delay in fixing the licence fee, raising of demands, transfer of records and reconstruction of missing files were, however, not furnished to Audit.

The matter was referred to the Ministry of Urban Development in October 1991; their reply is awaited (January 1992).

32. Irregular expenditure on temporary offices of Chairman and Vice-Chairman, DDA.

Delhi Development Authority (DDA) spent Rs.8 lakhs during the years 1988-90 on construction and furnishing of temporary offices for the

Chairman and Vice-Chairman (VC) of DDA. Expenditure on construction was Rs.5.99 lakhs and on furnishing Rs.2.01 lakhs (including carpets and refrigerator). The temporary offices were located in residential buildings owned by the Government of India. After the Chairman and Vice-Chairman relinquished charge in December 1989, the benefit of capital expenditure of Rs.5.99 lakhs was no longer available to DDA but only to the ex-incumbents of the two posts, who continued in the residential buildings.

DDA already owns a residence earmarked for the VC in New Delhi.

The reasons for incurring capital expenditure on buildings owned by Government of India and not by DDA and non-recovery of *pro rata* cost of the expenditure from Delhi Administration was enquired from the DDA who stated (December 1991) that the residence earmarked for VC remained under occupation of ex-VC during the years 1988-90. DDA further stated that possession of a refrigerator in the office of a head of department was not unusual. Furniture and furnishing supplied to Chairman have been taken back by DDA and those supplied to VC are being pursued for retrieval.

The matter was also referred to the Ministry of Urban Development in September 1991; their reply is awaited (January 1992).

33. Unplanned award of work

Delhi Development Authority (DDA) awarded in January 1983 the work of construction of 400 flats in Rohini Complex to a contractor at his tendered amount of Rs.180.08 lakhs which was 105.9 per cent above the estimated cost of Rs.87.46 lakhs. The work was to commence in January 1983 and to be completed by July 1984 but was completed in March

1988 at a cost of Rs.218.69 lakhs. The delay was primarily because of non-finalisation of drawings and layout plan and not making available the site to the contractor. The foundation drawings were given to the contractor only in December 1983.

The contractor claimed Rs.25.60 lakhs on account of idle labour, hire charges for tools and plants and establishment expenses. The matter was referred to an arbitrator by the DDA in January 1984.

The arbitrator held that the DDA did not fulfil their contractual obligations to make available the site, drawings and revised lay-out plans to the contractor and awarded a sum of Rs. 6.50 lakhs to the contractor. The award was confirmed by the Delhi High Court. As DDA failed to make the payment within the stipulated period of one month, the contractor obtained attachment order from the Delhi High Court in March 1988, directing DDA's bankers to deposit with the Court a sum of Rs.8.28 lakhs including Rs.1.78 lakhs as interest. The Bank paid the amount in March 1988.

Poor management and inadequate planning in the DDA in assessing time for handing over of the site, lay-out plans and detailed drawings before making provision in the contract accordingly resulted in an avoidable expenditure of Rs.8.28 lakhs.

The matter was referred to the Ministry of Urban Development in September 1991; their reply has not been received (January 1992).

34. Mis-appropriation of lottery funds

In the lottery offices of Delhi Development Authority (DDA) at Delhi, Lucknow and Calcutta (shifted to Dhanbad in October 1985) which sold DDA's lottery tickets to local dealers and agents,

the following cases of mis-appropriation of lottery funds came to notice of audit:-

- (i) An Upper Division Clerk (UDC) in charge of the camp office at Calcutta and Dhanbad (from December 1983) was suspended in May 1987 when seven accounts and Rs.20 lakhs due from him on account of sales receipts of tickets for Kamdhenu Lottery were not received. DDA had issued in July 1988 a charge sheet to him only in respect of dues under four accounts and Rs.6.36 lakhs not paid by him to DDA, as apparently accounts of amounts due were not current in DDA by then. The clerk was dismissed from service in September 1990, but no recovery of dues was effected from him.
- (ii) Another UDC in the Delhi office did not pay Rs.0.99 lakh on account of one draw of Kamdhenu Lottery held in April 1986. But, he was supplied with lottery tickets till September 1986. He was suspended in December 1986 when Rs.1.81 lakhs were due from him. Only Rs.0.47 lakh was deposited by the UDC between February 1987 and February 1989. Even though a balance of Rs.1.34 lakhs was due he was reinstated and repatriated to his parent office (P&T department) in July 1989. Further action, if any, taken against the clerk was not intimated to Audit.
- (iii) A Lower Division Clerk (LDC) was given charge of the office in Delhi from December 1986. In June 1987, he was asked to deposit Rs.2.55 lakhs outstanding against him, when his office was inspected by the Chief Accounts Officer of DDA. It was seen in Audit that Rs.2.64 lakhs under 29 accounts were outstanding against him at the time of the inspection. The LDC was suspended in June 1987. A sum of only Rs.0.98 lakh was deposited by him between June 1987 and April

1988. He was dismissed from service in July 1990.

Reasons for not recovering the full amounts due and action taken to prevent mis-appropriation in future were not on record.

The lottery offices were to submit accounts to the Head office at Delhi, on the day following the draw. Copies of challans for the amount remitted into the bank were to be enclosed. The following shortcomings in procedure were noticed in audit :-

- Officers of DDA failed to enforce timely submission of accounts and deposit of sale proceeds by lottery officers to Head office resulting in mis-appropriation of Rs.23 lakhs.
- The accounts maintained at Head office were allowed to remain incomplete by officers of DDA with the result that the state of affairs at the lottery offices was not known.
- Inspection of offices by officers of DDA was not frequent or effective. Clerks were entrusted with financial transactions of large value without obtaining fidelity or indemnity bonds or other sureties from whom amounts could be recovered.

The matter was referred to the Ministry of Urban Development in September 1991; no reply has been received so far (January 1992).

35. Cost overrun

Delhi Development Authority (DDA) awarded the work of development of Hauz Khas Lake, Phase-V, to a contractor in November 1981 at a cost of Rs.21.25 lakhs which was 42.4 per cent above the estimated cost of Rs.14.92 lakhs. The work was to

be completed by November 1982 but was completed in February 1983 at the cost of Rs.29.83 lakhs. The analysis of cost overrun revealed the following:-

(a) During execution of the work, a dispute arose between the contractor and the DDA and an arbitrator was appointed in August 1982. One of the points of dispute related to the item of "Cement concrete(CC) flooring" which was substituted for original item "CC in foundation". Glass strips were not provided in CC flooring under instructions of DDA and deductions in rates for the same were made. The contractor objected to the deductions which were allowed by the arbitrator because flooring done with strips and without strips was to be measured together as per CPWD specifications. Arbitrator awarded Rs.1.50 lakhs to the contractor. The specifications had apparently not been drawn with care.

(b) Another point of dispute related to the measurement of lime concrete in foundation. The contractor had to provide varying thickness of lime concrete due to the uneven surface of the ground. No action was taken by the DDA to level the ground though asked for by the contractor. On joint inspection of the site alongwith the arbitrator, average thickness was found to be 3.79 cm more than the 15 cm provided in the agreement. The arbitrator awarded Rs.1.50 lakhs with interest of 7 per cent from September 1982 for the extra thickness of lime concrete needed.

In all, a sum of Rs.3.66 lakhs was paid to the contractor.

On other disputes, another arbitrator awarded Rs.5.37 lakhs to the contractor in August 1990 against his claim for Rs.21.71 lakhs. The DDA did not file any counter claim and accepted the award.

In the result extra expenditure of Rs.9.03 lakhs was made to the contractor because of poor management of the contract by DDA.

The matter was referred to the Ministry of Urban Development in September 1991; their reply is awaited (January 1992).

36. Excess expenditure due to poor planning

The work of construction of parking sites and widening of existing roads in Asian Games Village at Siri Fort was awarded to a contractor in March 1981 for completion by September 1981.

On the ground that progress of work was very slow and despite reply of contractor to the show cause notice that the entire fault for delay was on the part of DDA, the contract was rescinded in December 1981 at the risk and cost of the contractor and his security deposit for Rs.0.40 lakh forfeited.

The balance work (65.7 per cent) which was awarded to another contractor in February 1982 for completion by May 1982 was completed after a delay of six months in November 1982.

The first contractor submitted a claim for Rs.2.69 lakhs (DDA did not prefer any counter claim) and the arbitrator allowed Rs.1.45 lakhs in August 1983 holding that DDA had failed to fulfil its contractual obligation. Accordingly, an amount of Rs.1.59 lakhs including interest was paid to the contractor by DDA in October 1984.

The claim of the contractor filed in April 1983 for refund of security deposit, etc. (Rs.0.52 lakh) is pending before another arbitrator who was appointed in October 1984. DDA submitted counter claims for Rs.3.39 lakhs for work done at the risk

and cost of the contractor and for material found short, oversize stone aggregate used in the work, and recovery for cement, etc. The counter claims could have been filed by DDA before the first arbitrator.

The matter was reported to the Ministry of Urban Development in October 1991; their reply is awaited (January 1992).

37. Poor contract management and Arbitration

Delhi Development Authority (DDA) engages contractors for development of land, construction of flats and other operations. The contract agreement provide for settlement of disputes through arbitration. On the claims for Rs.75,000 or above it is expected that the Arbitrator will give a reasoned award. The DDA did not maintain upto March 1988 any consolidated record showing the number of awards announced by Arbitrators. Record of amount involved in awards and follow up action taken in respect of awards announced by arbitrator was not maintained even after March 1988. However, it was seen from the registers that arbitrator had been appointed in 801 cases of disputes from 1986 to 1991. Eighty nine cases of speaking awards and 20 cases of non-speaking awards were checked in Audit.

Arbitrators had awarded Rs.380 lakhs to contractors against their claims totalling Rs.1521 lakhs; against counter claims of DDA for Rs.617 lakhs only claims for Rs.38 lakhs were accepted by arbitrator. Examination of the connected records revealed the following:-

- (i) In 39 cases, DDA withheld Rs.329 lakhs from payment due to contractors towards compensation to DDA for failure by contractor to complete the work within the time schedule agreed upon, or for breach of the conditions

of the contract, leading to forfeiture of security deposit of the contractor or as recovery of extra expenditure incurred in getting the unexecuted portion of work done through any other agency. The arbitrators rejected claims of DDA on one or more of the following grounds:

(a) The claimants were not informed that it was proposed to levy compensation for the delay in execution of the work and the time was never made the essence of the contract.

(b) Non-issuance of timely and proper notices to the contractors notifying intention of the DDA to levy compensation for failure to complete the work within the time schedule.

(c) Late supply of architectural and structural designs and drawings to contractors.

(d) Material not supplied by DDA as per works programme.

(e) Breach of contract committed by DDA due to non-fulfillment of its contractual obligations.

Further, 25 claims of DDA for Rs.221 lakhs were also rejected by the arbitrators.

(ii) In 65 cases, the contractors claimed losses or damages for idle labour and tools and plant due to delays or breaches of contract by DDA. Claims of the contractors for Rs.137 lakhs were upheld by the arbitrators on the ground that the DDA had failed to perform reciprocal obligations under the contract thereby preventing the claimants from completing the work within the stipulated period.

- (iii) Recoveries of Rs.24 lakhs from contractors in 28 cases made by the DDA were set aside by arbitrators because of the failures of the DDA to provide proof of losses or damages sustained in additional consumption of material and because recoveries made for excess use of steel were not according to the agreement.
- (iv) DDA recovered Rs.10 lakhs from the bills paid to 37 contractors as rebate for timely payment. But the arbitrators upheld the contention of the contractor that a rebate was not to be recovered on the ground that the DDA had failed to pay the bills as stipulated in the contract.
- (v) In all cases where the claims of the contractors were upheld by the arbitrator, interest ranging from 10 per cent to 18 per cent on the pending claims from the date of reference was also payable by DDA amounting to Rs.34 lakhs. The DDA also paid interest amounting to Rs.37 lakhs in 17 cases from the date when claim of the contractors was upheld by the arbitrators upto the date of payment by DDA, in some cases after losing its appeal in the High Court.
- (vi) On the advice of Quality Control Cell or order of Superiors, part rates were allowed or payments were withheld by DDA pending rectification of defects.

Further, on payment for extra and substituted items of work as well as excess payment for deviation got executed through contractors the rates fixed unilaterally by the DDA were not acceptable to the contractors. In most such cases, the arbitrators set aside amounts withheld or short payments or recoveries on the ground that DDA could not establish its decision as fair or had not issued proper notices under the agreement.

In 85 such cases, Rs.437 lakhs had to be paid by DDA as per award of arbitrators.

The matter was referred to the Ministry of Urban Development in October 1991; their reply is awaited (January 1992).

CHAPTER-V

REVENUE DEPARTMENTS OF DELHI ADMINISTRATION

38. Trend of revenue receipts

The total revenue receipts of Delhi Administration for the year 1990-91 were Rs.1,024.66 crores against the anticipated receipts of Rs.1,144.45 crores. The revenue receipts during the year registered an increase of 25.95 per cent over those of 1988-89 (Rs.813.57 crores) and 14.77 per cent over those of 1989-90 (Rs.892.80 crores). Out of total revenue receipts of Rs.1024.66 crores, tax revenue accounted for Rs.990.99 crores and the balance of Rs.33.67 crores was from non-tax revenues. The revenue receipts during the year under the major heads of revenue and corresponding figures for the preceding two years are given below:-

(in crores of rupees)			
Sl.No.	1988-89	1989-90	1990-91
A. Tax revenue			
1. Sales tax	524.59	597.96	689.71
2. State excise	159.40	145.07	162.21
3. Taxes on goods & passengers (Terminal tax) *	34.73	34.85	37.20
4. Stamp duty and Registration fees	32.73	34.85	32.14
5. Taxes on motor vehicles	27.07	31.59	53.16
6. Land revenue	0.02	0.03	0.02

7. Other taxes & duties
on commodities and
services including

Entertainment tax	14.36	15.41	16.55
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Total Tax revenue	792.90	859.76	990.99
B.Non-Tax revenue ^x	20.67	33.04	33.67

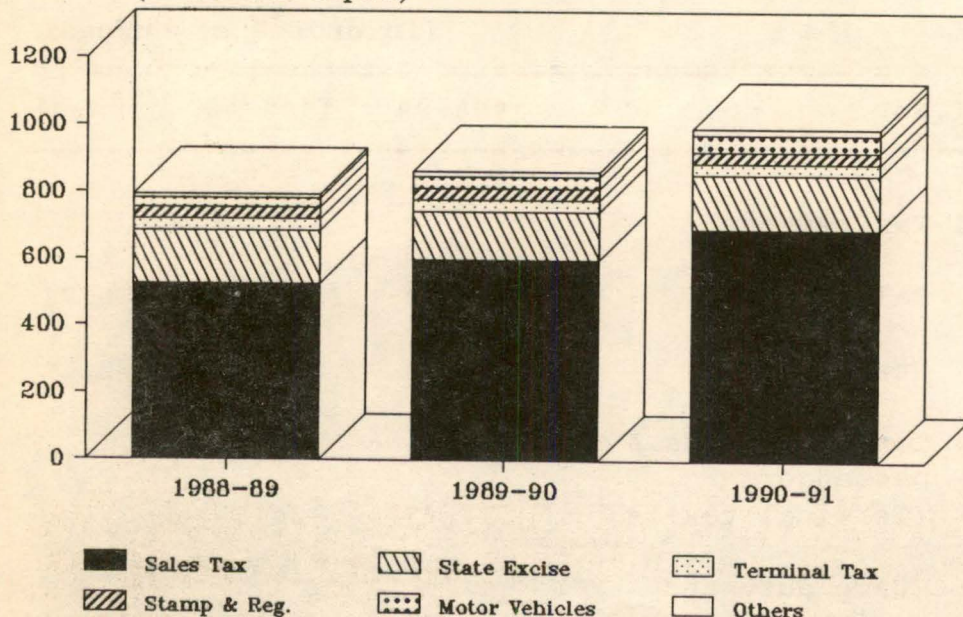
C.Total revenue receipts	813.57	892.80	1,024.66
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^x Most of the non-tax revenues are accounted for under the heads 'Other Administrative Services', 'Police' and 'Education, Sports, Arts and Culture'.

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

Growth-Tax Revenue

(in crores of rupees)



39. Cost of collection of tax revenue

The expenditure incurred on collection under the principal heads of revenue and the percentage

of cost of collection to gross collection during 1990-91 alongwith the preceding two years are indicated below:-

<u>Tax revenue</u> <u>Receipt head</u>	<u>Year</u>	<u>Gross</u> <u>collec-</u> <u>tion</u>	<u>Expendi-</u> <u>ture on</u> <u>collec-</u> <u>tion</u>	<u>Percentage</u> <u>of cost of</u> <u>collection</u> <u>to gross</u> <u>collection</u>	<u>All India</u> <u>average</u> <u>(percen-</u> <u>tage) for</u> <u>1989-90</u>
(1)	(2)	(3)	(4)	(5)	(6)
(in crores of rupees)					
Sales tax	1988-89	524.59	4.20	1	
	1989-90	597.96	4.62	1	
	1990-91	689.71	4.90	1	1.5
State excise	1988-89	159.40	0.90	1	
	1989-90	145.07	0.94	1	
	1990-91	162.21	0.75	1	3
Taxes on goods and passengers (Terminal tax)	1988-89	34.73	3.37	10	
	1989-90	34.85	3.93	11	
	1990-91	37.20	3.89	10	
Stamp duty & Registration fees	1988-89	32.73	0.14	Negligible	
	1989-90	34.85	0.18	Negligible	
	1990-91	32.14	0.18	Negligible	5
Taxes on motor vehicles	1988-89	27.07	1.08	4	
	1989-90	31.59	1.21	4	
	1990-91	53.16	1.36	3	3
Land revenue	1988-89	0.02	0.04 *	200	
	1989-90	0.03	0.04 *	150	
	1990-91	0.02	0.04	200	
Other taxes and duties on commodities & services (including Entertainment tax)	1988-89	14.36	0.08	1	
	1989-90	15.41	0.08	1	
	1990-91	16.55	0.08	1	
Total	1988-89	792.90	9.81		
	1989-90	859.76	11.00		
	1990-91	990.99	11.20		

* The staff deployed for collection of land revenue does not exclusively do this work but also performs other miscellaneous functions.

Sales Tax

40. Number of registered dealers

Under the Delhi Sales Tax Act, 1975, a dealer, who is a trader, is required to get himself registered and pay tax if his gross turnover exceeds rupees one lakh in a year. A dealer, who is a manufacturer, is required to do so if his turnover exceeds Rs.30,000 in a year. Halwais are required to get themselves registered if their turnover exceeds Rs.75,000 in a year. The dealers are required to get themselves registered under the Central Sales Tax Act, 1956 also, if they engage in inter-State sales or purchases for any amount. The number of registered dealers during the last three years ending 31 March 1991 as furnished (December 1991) by the Sales Tax Department, Delhi Administration is given below. The figures within brackets indicate the number of dealers registered under the Central Sales Tax Act, 1956.

		As on		
		31 March 1989	31 March 1990	31 March 1991
1.	Total number of registered dealers	1,05,343 (99,311)	1,08,831 (1,02,744)	1,13,357 (1,07,459)
2.(a)	Number of dealers having turnover of rupees ten lakhs and above	22,315 (21,234)	32,739 (30,269)	34,446 (33,409)
(b)	Number of dealers having turnover exceeding rupees five lakhs but below rupees ten lakhs	25,598 (25,048)	24,146 (23,050)	27,764 (26,532)
(c)	Number of dealers having turnover exceeding rupees one lakh but below rupees five lakhs	35,398 (32,742)	36,008 (34,841)	32,068 (30,190)
(d)	Number of dealers having turnover less than rupees one lakh	22,032 (20,287)	15,938 (14,584)	19,079 (17,328)

41. Sales tax demands in process of recovery

As on 31 March 1991, sales tax dues amounting to Rs.603.72 crores were pending collection from defaulting assessees. According to the information furnished by the Department (September 1991) during the three years 1988-89, 1989-90 and 1990-91, these arrears were in the following stages of action:-

(in crores of rupees)

Stage of action	Amount of tax in arrears					
	1988-89		1989-90		1990-91	
	Local	Central	Local	Central	Local	Central
1. In process of recovery including recovery of land revenue	161.27	37.08	218.53	94.94	269.08	132.35
2. Recovery stayed by other authorities	54.45	11.86	33.85	20.18	50.09	20.60
3. Recovery held up in appeals or reviews	37.39	8.92	32.35	12.87	35.23	19.01
4. Demands likely to be written off	10.05	2.28	20.94	4.60	13.64	10.13
5. Recovery held up due to insolvency of dealers	3.58	1.77	34.60	6.23	13.46	1.62
6. Recovery stayed by courts	7.83	2.74	48.97	9.93	11.71	2.93
7. Other reasons	54.77	6.84	18.64	7.41	19.14	4.73
Total	329.34	71.49	407.88	156.16	412.35	191.37
	400.83		564.04		603.72	

42. Recovery certificates pending

The table below indicates recovery certificates pending as at the end of March 1991, number of recovery certificates issued and disposed of alongwith their money value during 1990-91 and the number of recovery certificates pending where the amount of tax involved is Rs.20,000 or more in each case according to the information furnished by the Department (September 1991).

	Number of recovery certificates pending	Amount (in crores of rupees)
1. Total number of recovery certificates pending as on 31.3.91 and the tax amount involved	37,527	210.32
2. Total number of recovery certificates issued during the year 1990-91	5,504	109.52
3. Total number of recovery certificates disposed of after the recovery of tax during the year 1990-91	1,316	4.99
4. Total number of recovery certificates pending where the amount of tax involved is Rs.20,000 or more in each case	14,640	21.30

43. Frauds and evasions

According to the information furnished by the Department (October 1991), 417 cases of frauds and evasions involving Rs.46.73 crores both under the Local and Central Acts, were detected during the year 1990-91.

The following table indicates the position of such cases pending at the commencement of the years 1988-89, 1989-90 and 1990-91, the cases disposed of during these years and cases outstanding at the end of these years:-

	1988-89				1989-90				1990-91			
	No. of cases		Amount (in crores of rupees)		No. of cases		Amount (in crores of rupees)		No. of cases		Amount (in crores of rupees)	
	Local	Central	Local	Central	Local	Central	Local	Central	Local	Central	Local	Central
A(i) Cases Pending at the beginning of the year	509	460	25.11	13.00	404	372	14.43	5.94	315	297	9.18	3.56
(ii) Cases detected during the year	302	258	12.24	5.12	303	282	5.41	2.12	219	198	29.57	17.16
B. Cases in which investigation/ assessment were completed during during the year												
(i) Out of cases at A(i) above	246	207	15.36	8.46	224	203	7.64	3.32	153	148	4.76	1.72
(ii) Out of cases at A(ii) above	161	139	7.56	3.72	168	154	3.02	1.18	138	129	16.72	10.08
C. Cases which were pending at the end of the year												
(i) Out of cases at A(i) above	263	253	9.75	4.54	180	169	6.79	2.62	162	149	4.42	1.84
(ii) Out of cases at A(ii) above	141	119	4.68	1.40	135	128	2.39	0.94	81	69	12.85	7.08

44. Sales tax demands raised and pending

As on 31 March 1991, sales tax dues amounting to Rs.781.42 crores were pending collection from defaulting assesseees, according to the information furnished by the Department (October 1991). The table below indicates the position of demands pending recovery at the beginning of the years 1988-89, 1989-90 and 1990-91, demands raised during these years, tax collected, adjustments on account of write off, reduction and remission of demands and the demands pending at the close of these years:-

(in crores of rupees)

Stage of action	Amount of tax in arrears					
	1988-89		1989-90		1990-91	
	Local	Central	Local	Central	Local	Central
1.Recovery of demand for tax in arrears at the beginning of the year	260.10	61.09	374.41	80.51	495.02	96.22
2.Demands raised during the year	137.14	29.43	167.73	25.38	192.23	49.76
3.Tax collected during the year	19.50	9.26	48.23	8.44	28.45	9.15
4.Adjustment on account of write off, reduction and remission of demands	3.33	0.75	3.89	1.23	12.10	2.11
5.Demands for tax outstanding at the end of the year	374.41	80.51	495.02	96.22	646.70	134.72
Total	454.92		591.24		781.42	

45. Non-production of assessment files for audit scrutiny

On an analysis of 150 Audit Inspection Reports of Sales Tax Department relating to the years of 1987-88, 1988-89 and 1989-90, it was noticed that even after excluding the files which were reported to be with the appellate or higher departmental authorities, the number of files as mentioned below were not made available for audit scrutiny. No reasons were, however, assigned by the Department for non-production of files.

(1) Files	(2) year	(3) Number of files
Not produced during the year	1987-88	45,415
Not produced during the year	1988-89	54,621
Not produced during the year	1989-90	61,514
Total		1,61,550

As a result, these cases could not be checked in Audit. Their non-production could also result in substantial loss of revenue as action, if any, to be taken in re-assessments or rectifications of mistake noticed could become delayed or time barred.

46. Disposal of remanded cases

46.1 Introductory

Under Section 43 of the Delhi Sales Tax Act, 1975, any dealer aggrieved by an order, not being an order mentioned in Section 44, may appeal to

the prescribed authority. The person aggrieved by an order passed in appeal by the prescribed authority may appeal to the Appellate Tribunal against such orders.

The disposal of appeals by the appellate authority and their powers of directing the assessing authority for re-assessment of cases appealed against are incidental to each other. Under Section 43(5) of Delhi Sales Tax Act, 1975, no appeal against an order of assessment with or without penalty shall be entertained by the Assistant Commissioner, Deputy Commissioner and the Additional Commissioner of Sales Tax unless such appeals are accompanied by a satisfactory proof of payment of tax with or without penalty or, as the case may be, of the payment of the penalty in respect of which the appeal has been preferred. However, the appellate authorities under the Act have been empowered to entertain an appeal against such order :-

- (a) without payment of tax and penalty, if any, or as the case may be of the penalty, on the appellant furnishing in the prescribed manner security for such amount or in such form as it may direct, or
- (b) On proof of payment of such smaller amount, with or without security for such amount of tax or penalty which remains unpaid.

46.2 Scope of audit

The records of the Additional Commissioner of Sales Tax for the years 1989-90 vis-a-vis the position stated by the Department in respect of disposal of appeals and remanding of the cases for the year ending 1990-91 were test checked in Audit with a view to analysing the administration of remanded cases. 574 appeals were filed during the year 1989-90, out of which 120 cases forming 21

per cent of the total cases filed with tax effect of Rs.16.30 crores were checked.

46.3 Organisational set-up

The Commissioner of Sales Tax is the head of the administration with all powers and duties vested in him under Delhi Sales Tax Act, 1975. To assist him in the execution of his functions, he has one Additional Commissioner, two Deputy Commissioners, 10 Assistant Commissioners and 99 Sales Tax officers. The Department comprises 50 Wards, an Enforcement Branch, Internal Audit Cell, Special Investigation Branch and Form Branch. There is a Central Appellate Tribunal to entertain appeals against various authorities of the Commissioner of Sales Tax.

46.4 Highlights

- Under the Act there is a time limit of four years for finalisation of assessment of a year. Four years period has been prescribed for remanded assessment from the date of order of the appellate authority. In addition to the time limit of 8 years for original assessment and remanded assessments, no time limit or procedure has been laid down in the Act for the disposal of appeals. There is no centralised system in the Department for watching the progress of disposal of remanded assessments. A test check of 33 cases involving tax assessment of Rs.159.22 lakhs remanded in 1989-90 revealed that even the remanded assessment was not done within the stipulated period of 6 months as per specific orders of the Appellate authority.

- The disposal of appeal by the appellate authority and their functions of remanding

the cases are incidental to each other. In 120 cases remanded by the Additional Commissioner of Sales Tax during 1989-90 it was seen that 37 remanded cases came from ex parte assessments made during the last quarter of the relevant year.

- In the case of three dealers having tax effect of Rs.4.57 crores the remanding of their cases repeatedly by the Additional Commissioner was not only detrimental to the collection of revenue but was also against the spirit of Section 43 of the Act.
- On 31 March 1991, 31,925 appeals were pending with various appellate authorities for periods ranging from one year to 27 years. An analysis of the cases disposed of indicated that between 1985-86 and 1990-91, the number of remanded cases was approximately 50 per cent of the total cases disposed of during this period.
- The various modus operandi adopted by the dealers for avoidance of tax inter-alia included the avoidance of receipt of the notice served or non-appearance on the appointed date of hearing. This resulted in 45 ex parte assessments and remanded cases.

46.5 (a) Time limit for disposal of Appeals and Remanded Cases

Sales tax charged by the dealers from the purchasers is required to be deposited into Government account. Any omission to do so tantamounts to misuse of public money by the dealers. During the course of test check of various records of Additional Commissioner of Sales Tax, it was found that the cases remanded by

the appellate authority initially were appeals against :-

- (i) the orders of assessing authority when due notice had been given to the assesseees,
- (ii) the orders of the assessing authority when the assessment had been completed *ex parte*,
- (iii) where the dealers had filed appeals again against the remanded assessments to the same appellate authority.

It was further noticed that generally the appellate authority under the powers delegated, while initially accepting the appeals for consideration had been allowing the appellant to deposit a very small part of the tax assessed by the Sales Tax Officers. Delhi Sales Tax Act, 1975 provides a time limit of 4 years for initial assessment and 4 years for remanded assessments from the date of the orders of the appellate authority. Thus apart from limitation period of 8 years for original assessments and remanded assessments, no period had been prescribed for the disposal of appeals by the appellate authority. Changes in business activities of the dealers and their places of business and even closure of the business are not uncommon. In such circumstances when there is no time limit for disposal of appeals, realisation of public money is avoidably delayed.

There is no centralised system in the department for watching the disposal of remanded assessments. Thus the pendency of revenue due to remanded assessment could not be worked out.

Under the Act, the dealers are to be given an opportunity to present their cases before their cases are finally assessed by the Sales Tax authorities. A test check of 50 cases showed that in 35 cases the assessing authority had to

complete the assessment *ex parte*. The fact of non-adherence to the dates fixed for hearing and failure of the dealers to appear on the appointed date of hearing thereby resulting in *ex parte* finalisation of assessments, has already been pointed out in Paragraph 35 of the Audit Report 1988-89 (No.3 of 1990). In a test check of 120 cases remanded during 1989-90, it was noticed that in 45 cases, the original assessment had been framed *ex parte*.

(b) Remand cases and appeals

Under Section 43 of the Sales Tax Act, 1975, any person aggrieved by an order, not being an order mentioned in Section 44, may appeal against the original assessment to the prescribed authority. The person aggrieved by an order passed in appeal by the prescribed authority may also appeal to the Appellate Tribunal against such orders unless it is explicitly defined in the orders of the appellate authority itself to come to it for re-dressal of their grievances. Under Section 23 of the Act the assessment is required to be completed within 4 years from the end of the year in respect of which or part of which the tax is assessable. However, where such assessment is made in consequence of or to give effect to any order of an appellate authority or revisional authority or of a court, the period of 4 years shall be reckoned from the date of such orders. In a test check of 3 cases with tax effect of Rs.4.57 crores, it was seen that these cases remanded by the Additional Commissioner had repeatedly been accepted in appeal by him against remanded assessments. It was also observed that there being no direction/orders as such in the appellate orders, the dealers were required to move the Appellate Tribunal for re-dressal of their grievances but appeal against remanded assessment continued to be accepted by the Additional Commissioner in contravention of the provisions of the Sales Tax Act, 1975. In a test check of 33

cases remanded by the Additional Commissioner during 1989-90, it was seen that though there were specific orders of the appellate authority to complete the remanded assessment within 6 months from the date of issue of orders, assessment had not been done so far (June 1991). The position of appeals vis-a-vis cases remanded during 1985-86 to 1990-91 was as under:-

Year	Number of app- eals pending on 1st April	Number of app- eals institu- ted dur- ing the year	Number of app- eals dis- posed of during the year	Number of app- eals pen- ding at the end of the year	Number of rem- anded cases	Percent- age of remanded cases to the dis- posed of cases
1985-86	17,053	9,179	4,283	19,359	1,976	46
1986-87	19,360	9,510	4,953	23,909	3,058	62
1987-88	23,592	9,000	5,945	25,552	2,853	48
1988-89	26,342	9,490	8,428	27,324	4,144	49
1989-90	27,377	10,630	6,274	31,710	3,317	53
1990-91	31,710	7,753	7,316	31,925	3,529	48
Total			37,199		18,877	51

It would be seen that during 1985-86 to 1990-91 the number of remanded cases was more than 50 per cent of the total appeals disposed of during this period. In a test check of 120 remanded cases during 1989-90 with tax effect of Rs.16.30 crores, it was noticed that the oldest cases remanded pertained to the year 1976-77.

A *suo moto* Revision Appeal with a tax effect of Rs.4.17 lakhs was under the consideration of the Additional Commissioner since August 1974. During the scrutiny of the remand cases, it was found that various means adopted by the dealers in avoiding the deposit of public money collected by them as Sales Tax had been as under :-

(a) *Ex parte* assessment and tendency for remanded assessment.- It had already been reported in Para 35 of the Audit Report 1988-89 that during 1986-87 to 1988-89 the Ward Officers finalised 5,777 cases *Ex parte*, with demand of Rs.4,158.34 lakhs, of which 5,045 cases were finalised during the last quarter of the relevant years. In a test check of 120 remanded cases it was seen that 58 cases were initially assessed during the last quarter of the year *Ex parte* indicating that there had been a tendency amongst the defaulting dealers to go in for remanded assessment and thus continue to avoid the payment of the tax.

(b) *Acceptance of appeal in ex parte assessments.*- According to Section 25 of the Act the amount of tax due should be paid by the dealer within 30 days from the service of demand notice which is invariably preceded with a copy of the assessment order. Section 43(3) lays down that no appeal shall be entertained unless it is filed within 60 days from the date of service of the order appealed against. In 37 cases remanded by the Additional Commissioner during 1989-90, it was seen that assessments in these cases were made *Ex parte* during the last quarter of the limitation period of four years. The appeals were accepted and cases remanded as the dealers were not given due opportunity as provided in the Act. Thus the provision about giving of due opportunity had been

misused in the acceptance of appeals leading to remanding of cases.

(c) *No time limit fixed for disposal of appeals.*- The Act provides neither any time limit for disposal of appeals by the appellate authority nor lays down any system for taking up the appeal cases in the order of their filing.

(d) *Appeals against remanded assessments.*- Sub-Section (1) to (4) of Section 43 provide for an appeal for every original order passed under the Act to the prescribed authority except in the case of an order by the Commissioner where the appeal shall lie to the Appellate Tribunal. Against an order passed in appeal by the prescribed authority, a second appeal will lie to the Appellate Tribunal. It implies that unless it is specifically mentioned in the order itself, the cases remanded by the appellate authority should not as a matter of fact come to them again. Grievance, if any, against the remanded assessments should be referred to the Appellate Tribunal. In one case it was seen that the assessment for 1979-80 was completed in March 1984 *Ex parte* raising a demand of Rs.7.17 lakhs. In appeal the case was remanded by the Additional Commissioner in June 1984. The remanded assessment was done in June 1988 (i.e. just within the limitation period) *Ex parte* raising a demand of Rs.5.01 lakhs. The dealer filed another appeal to the Additional Commissioner in March 1991 which was accepted by him for consideration on assessee just depositing a sum of Rs.100 against the demand of Rs.5.01 lakhs. In another case it was seen that the Additional Commissioner remanded the case with demand of Rs.3.84 lakhs in February 1978. The remanded assessment was completed in February 1982 allowing a refund of Rs.11.16 lakhs in view of Supreme Court judgement. In March 1986 the appellate authority again remanded the case. The second remand assessment was completed in February 1990 raising a demand of Rs.8.55 lakhs. The dealer appealed for a third time to the Additional Commissioner in April 1990 which had been accepted by him for consideration. Yet in

another case it was seen that during 1978-79 to 1986-87, the Department created a demand of Rs.4.12 crores against the dealer. It was observed that since March 1983 the entire demand is outstanding against the dealer as the matter is *subjudice* before the Additional Commissioner. The cases for 1981-82 to 1983-84 with demand of Rs.170 lakhs had been remanded in April 1989 for assessment upto April 1993. In respect of assessment years 1978-79 and 1979-80 with demand of Rs.34 lakhs it was noticed that against the appeal filed in 1983, the cases were remanded in March 1984 and re-assessed in March 1988. The dealer filed the second appeal to the Additional Commissioner in May 1988, which is still pending as there is no time limit for disposal of appeal cases.

The Commissioner of Sales Tax had observed (November 1990) that the earlier records of this firm showed that it had been a persistent defaulter and that actually there was reason to suspect that the party had been using Government revenue for the purpose of financing its own business. It was thus seen that the same appellate authority even in such cases had been accepting appeals against their own orders which was wrong and could not be justified under any law or Section of the Act.

(e) *Acceptance of appeals of defaulting/defunct dealers.*- During 1986-87 to 1988-89, registration certificates of 129 dealers were cancelled as they were not found to have been carrying on the business at the said premises. Enforcement Branch's Report for 1984-85 indicates that during 1982-83 to 1984-85 there were 387 bogus dealers, 412 dealers were not maintaining any books of accounts, 18 dealers were maintaining duplicate books of accounts and about 124 dealers were noticed committing other offences. In such cases the question of service of demand notice or accepting of any security on their behalf would bear no result. In a test check of 1985-86 assessment records of a dealer it was found that

though his registration was cancelled in October 1989 on the plea that the party had not been carrying on any business on the said premises, the Additional Commissioner accepted his appeal (April 1990) against assessment order for 1985-86 raising a demand of Rs.49.88 lakhs. It showed that there was no coordination between the various assessing and appellate authorities of the department to safeguard the public interest against defaulting and defunct dealers.

The above points were reported to the Delhi Administration and Ministry of Home Affairs in October 1991; their reply has not been received (January 1992).

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

Under the provisions of the Delhi Sales Tax Act, 1975 and the rules framed thereunder, sales of goods made by one registered dealer to another registered dealer are to be allowed as a deduction from the turnover of the selling dealer, on his furnishing alongwith his returns a complete list of such sales, duly supported by prescribed declarations in form 'ST-1' obtained from the purchasing dealer. In case a dealer conceals the particulars of his sales, penalty not exceeding two and a half times of the amount of tax which would have been avoided is leviable, in addition to the tax payable on the sales, besides interest leviable under the Act.

47.1 In the case of a registered dealer engaged in the business of plastic and polyester, while finalising assessment (March 1988) for the year 1983-84, the assessing authority rejected declarations in form 'ST-1' amounting to Rs.59.98 lakhs submitted by the dealer in support of his claim in respect of sale of goods made to other registered dealers. The assessing authority levied tax amounting to Rs.4.20 lakhs but failed to levy penalty not exceeding Rs.10.50 lakhs and interest

amounting to Rs.2.33 lakhs. However, on cross verification in Audit (March 1989), it was noticed that declarations in form (ST-1) amounting to Rs.26.51 lakhs were also liable to be rejected in addition to the declaration forms (ST-1) already rejected by the assessing authority as the purchasing dealers had either issued these declarations to certain other dealers and not in favour of assessee dealer or the declarations were not issued to the purchasing dealer by the department. This irregular deduction resulted in short levy of tax amounting to Rs.1.86 lakhs. Besides, penalty not exceeding Rs.4.64 lakhs for furnishing inaccurate particulars and interest amounting to Rs.1.54 lakhs for non-payment of tax was also leviable.

On the omission being pointed out in Audit (March 1989) followed by reminders (July 1989 and July 1990), the Department stated (January 1992) that the dealer was being re-assessed. Further development in the case is awaited (January 1992).

47.2 In Delhi, in respect of the assessment year 1982-83, a registered dealer engaged in the business of auto-parts failed to pay tax on sales amounting to Rs.30.76 lakhs made on the strength of declaration given by the purchasing dealer, which was accepted by the assessing authority even though he could not verify the correctness of the purchases by the purchasing dealer from ST-2 account of the purchasing dealer as he had not submitted an account of the purchases made by him against ST-1 forms issued by the department. On cross verification done in Audit (May 1988) with reference to the assessment records of the purchasing dealer, it was seen that the purchasing dealer was assessed *Ex parte* and it was the same dealer who stood surety for the assessee. The failure of the assessing authority to detect the collusion between the purchasing dealer and the assessee dealer resulted in non-levy of tax

amounting to Rs.3.08 lakhs, and penalty not exceeding Rs.7.69 lakhs.

On the mistake being pointed out in Audit, the department re-assessed the case (February 1990) and raised additional demand of Rs.10.77 lakhs (including penalty of Rs.7.69 lakhs).

47.3 A registered dealer engaged in the business of re-sale of cassettes, electrical and electronic goods claimed 100 per cent deduction from his gross turnover of Rs.24.96 lakhs during the year 1984-85 on the ground that the sales were made to other registered dealers and submitted prescribed declarations in form ST-1 in support thereof. The assessing authority (January 1989), while finalising the assessment, however, rejected the claim of the dealer and taxed the entire turnover of Rs.24.96 lakhs but failed to levy penalty not exceeding Rs.6.24 lakhs and interest amounting to Rs.1.91 lakhs.

The omission was pointed out to the Department (August-1989); their reply has not been received (January 1992).

47.4 In Delhi, during the year 1984-85, a registered dealer engaged in the business of PVC compound had claimed deduction of Rs.32.07 lakhs from his gross sales turnover of goods made to other registered dealers by furnishing declaration in form ST-1 in support of his claim. On cross verification by the Department of these forms with the accounts records of the issuing dealer it was revealed that these forms were not issued to the concerned dealer. The assessing authority while finalising the assessment levied tax amounting to Rs.2.24 lakhs but failed to levy penalty not exceeding Rs.5.61 lakhs and interest amounting to Rs.1.54 lakhs.

The omission was pointed out in Audit to the

Department (September 1990); their reply has not been received (January 1992).

47.5 In the assessment year 1985-86, a registered dealer engaged in the business of electrical goods had claimed and was allowed deduction of Rs.10.42 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by declarations in form ST-1. However, on cross verification of assessment records by Audit (January 1991), it was noticed that the deduction allowed was irregular as these forms were not issued to the purchasing dealer by the Department. The irregular grant of deduction resulted in short levy of tax amounting to Rs.1.04 lakhs. Besides, penalty not exceeding Rs.2.60 lakhs and interest of Rs.71,325 was also leviable for misrepresentation of facts and non-payment of tax alongwith returns by the dealer.

Further, the dealer had made purchases without payment of tax by issuing declarations in form ST-1 to the extent of Rs.28.47 lakhs but had accounted for purchases amounting to Rs.23.67 lakhs only. Thus, the dealer had concealed purchases valued at Rs.4.80 lakhs and thereby concealed sales amounting to Rs.4.98 lakhs (after adding *prorata* margin of profit at the rate of 4.17 per cent).

The omission resulted in short levy of tax amounting to Rs.49,784. Besides, penalty not exceeding Rs.1.24 lakhs and interest of Rs.34,102 was also leviable. The dealer also failed to submit declaration in form ST-1 in support of his claim of sales amounting to Rs.88,790 made to other registered dealers. The assessing authority while finalising the assessment (February 1990) levied tax amounting to Rs.8,879 but did not levy interest amounting to Rs.5,632.

The above omissions were pointed out to the Department (January 1991) followed by a reminder

(August 1991); their replies have not been received (January 1992).

47.6 During the year 1984-85, a registered dealer in Delhi engaged in the business of re-sale of welding electrodes, had claimed deduction of Rs.13.98 lakhs from his gross turnover, on sale of goods made to other registered dealers by furnishing declarations in Form ST-1 in support of his claim. Cross verification by the Department revealed that the sales were not genuine and tax was levied on the dealer at the time of assessment. Further, the dealer failed to submit declaration in form ST-1 in support of his claim of sale valued at Rs.1.81 lakhs which was also taxed by the assessing authority. The assessing authority while finalising the assessment (March 1989) levied tax but failed to levy interest amounting to Rs.0.78 lakhs and penalty not exceeding Rs.2.76 lakhs.

On the omission being pointed out in Audit (June 1989) followed by a reminder (August 1990), the Department stated (December 1991) that the re-assessment proceedings against the dealer have been started. Further developments are awaited (January 1992).

47.7 A registered dealer in Delhi, engaged in the business of electrical goods had claimed and was allowed deduction of Rs.13.19 lakhs from his gross turnover for the year 1984-85 on account of sales made to other registered dealers, duly supported by declarations in form ST-1. However, on cross verification of assessment records by Audit (August 1989), it was noticed that the deduction allowed was irregular as sales amounting to Rs.12.89 lakhs were supported by declarations, given by purchasing dealers in respect of purchases which were not covered by their registration certificates. The irregular deduction resulted in short levy of tax of Rs.1.29 lakhs and interest of Rs.96,992.

Further, the dealer had made purchases without payment of tax by issuing declarations in form ST-1 to the tune of Rs.46.55 lakhs but had accounted for purchases only to the extent of Rs.43.12 lakhs. Thus, the dealer had concealed purchases of Rs.3.43 lakhs and thereby concealed sales worth Rs.3.49 lakhs (after adding prorata margin of profit at the rate of Rs.1.83 per cent). The omission resulted in short levy of tax amounting to Rs.34,925 and in addition penalty not exceeding Rs.87,321 was also leviable.

On the omission being pointed out in Audit in August 1989 and later in April 1990, the Department in their reply (December 1991) though contesting the Audit point stated that the registration certificates of the purchasing dealers covered motor parts and accessories in one case and Ghee, edible oil and electrical goods in the other case. On verification it was found that the second purchaser was not dealing in electrical goods. As the objection relates to sale of electrical goods, the reply of the Assessing authority is not acceptable in Audit. Report on recovery is awaited (January 1992).

47.8 A registered dealer engaged in the business of leather claimed and was allowed deduction of Rs.7.95 lakhs from his gross turnover during the year 1984-85 on the ground that the sales were made to other registered dealers and were supported by declaration in form ST-1. The deduction allowed was irregular as it was seen in Audit (August 1989) that either the declarations were issued by the purchasing dealer in favour of certain other dealers and not in favour of the assessee dealer or the registration certificate of the purchasing dealer stood cancelled. The correctness of sale could not be verified in Audit as the purchasing dealer had not submitted an account of the purchases made by him against ST-1 forms issued by the Department. Thus, deduction allowed to the assessee irregularly resulted in short levy of tax amounting to Rs.79,534. Besides, penalty not exceeding Rs.1.99 lakhs and interest of Rs.54,480 was also leviable.

The omission was pointed out in Audit (September 1990) followed by a reminder (August 1991). The Department stated (January 1992) that the dealer was being re-assessed. Further report on recovery is awaited (January 1992).

47.9 In Delhi, in the case of a registered dealer engaged in the business of manufacturing and resale of electronic goods, deduction of Rs.10.02 lakhs was allowed from his gross turnover during the year 1982-83 on account of sale made to other registered dealers duly supported by declaration in Form ST-1. On cross verification of assessment record of the purchasing dealer it was noticed in Audit (February 1988) that the deduction amounting to Rs.7.13 lakhs was irregularly allowed as the purchasing dealers had issued these declarations to some other dealers for lesser amounts and not to the assessee dealer. This resulted in short levy of tax amounting to Rs.71,337. Besides, penalty not exceeding two and a half times of tax under Section 56 and interest under Section 27 of Delhi Sales Tax Act, 1975 were leviable on the dealer for mis-representation of facts.

On the omission being pointed out in Audit (May 1990), the Department re-assessed the dealer and created an additional demand of tax of Rs.71,337 and interest of Rs.49,935. The report on the levy of penalty and recovery thereof has not been received (January 1992).

47.10 A registered dealer in Delhi, engaged in the business of paints and hardware was allowed deduction of Rs.84,267 from his gross turnover on furnishing declarations in ST-1 forms during the year 1983-84 on the ground that sales were made to other registered dealers. It was, however, noticed (January 1989) in Audit that these forms were not issued to the purchasing dealers by the Sales Tax Department. Thus, deduction allowed to the

assessee resulted in short levy of tax amounting to Rs.5,899. Besides, penalty not exceeding Rs.14,747 and interest (upto May 1987) of Rs.3,155 were also leviable on the dealer.

On the omission being pointed out in Audit, the Department re-assessed (February 1990) the dealer and raised an additional demand of Rs.23,799.

47.11 During the year 1985-86, a registered dealer engaged in the business of foam had claimed deduction of Rs.5.48 lakhs from his gross turnover on sale of goods made to other registered dealers by furnishing declaration in form ST-1 in support of his claim. Cross verification by the Department of these forms, however, revealed that these forms were not issued to the purchasing dealers by the Department. The assessing authority while finalising the assessment (August 1989) levied tax amounting to Rs.54,773 but failed to levy penalty not exceeding Rs.1.37 lakhs and interest amounting to Rs.31,220.

Further, the dealer had failed to submit declaration in form ST-1 in support of his claim of sale amounting to Rs.6.65 lakhs made to other registered dealers. The assessing authority while finalising the assessment (August 1989) levied tax amounting to Rs.66,481 but did not levy interest amounting to Rs.38,558.

The omission was pointed out in Audit (October 1990) followed by reminders (June 1991 and August 1991) to the Department; their reply has not been received (January 1992).

47.12 Under the provisions of the Delhi Sales Tax Act, 1975 rate of tax in respect of the taxable turnover of the goods specified in the first schedule shall be leviable as prescribed under the Act. Motor parts are included in the

first schedule and are taxable at the rate of ten paise in the rupee.

In Delhi, the assessing authority while assessing a registered dealer engaged in the business of motor parts for the year 1983-84 rejected the sales amounting to Rs.4.58 lakhs which were not supported by genuine ST-1 forms and levied the tax at the rate of 7 per cent as against 10 per cent. The assessing authority also failed to levy penalty not exceeding Rs.1.37 lakhs leviable under the Act. This resulted in short levy of tax of Rs.13,736 and penalty of Rs.1.37 lakhs. Further, the dealer also failed to produce ST-1 forms for Rs.83,250 representing sale made to other registered dealers which was also taxed at the rate of 7 per cent instead of at 10 per cent which resulted in short levy of tax by Rs.2,498.

On the omission being pointed out in Audit (October 1988), the Department re-assessed the dealer (December 1990) and raised an additional demand of Rs.1.53 lakhs including penalty of Rs.1.37 lakhs.

47.13 During the year 1984-85, a registered dealer engaged in the business of rubber and rubber chemicals had claimed deduction of Rs.8.47 lakhs from his gross turnover on sale of goods made to other registered dealers by furnishing declaration in form ST-1. But the assessing authority while finalising the assessment (March 1989) rejected the claim amounting to Rs.6.57 lakhs as not being verifiable and levied tax amounting to Rs.46,018. However, the assessing authority did not levy penalty not exceeding Rs.1.15 lakhs and interest amounting to Rs.31,510 for filing inaccurate particulars and non-payment of tax alongwith returns.

The omission was pointed out in Audit (September 1989) followed by a reminder (August 1991) to the Department; their reply has not been received (January 1992).

47.14 A registered dealer in Delhi, engaged in the business of sale of bulbs, cells and polish was allowed deduction of Rs.2.95 lakhs on furnishing a declaration in ST-1 forms from his gross turnover during the year 1983-84, on the ground that sales were made to other registered dealers. It was, however, noticed (December 1988) on cross verification with the records of the purchasing dealers that (i) the forms supplied by the purchasing dealers were not issued to them by the Sales Tax Department; and (ii) in one case deduction of Rs.39,959 was claimed and allowed in respect of sales made to a registered dealer whose registration certificate stood cancelled. Thus, the irregular deduction allowed, resulted in short levy of tax of Rs.29,461 besides a penalty upto Rs.73,650.

On the omission being pointed out in Audit, the Department re-assessed the dealer (April 1990) and raised an additional demand for Rs.67,704 (including penalty of Rs.48,360) against the dealer. It was also stated that on an appeal made by the dealer the appellate authority had stayed the demand. Report on further developments has not been received (January 1992).

47.15 In the assessment year 1982-83, a registered dealer engaged in the business of lubricants claimed and was allowed deduction of Rs.3.87 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by declarations in form ST-1. However, on cross verification of assessment records by Audit (January 1988) it was noticed that the deduction allowed was irregular as the ST-1 forms amounting to Rs.1.90 lakhs were not issued by the Sales Tax Department to the concerned purchasing

dealers and ST-1 forms for Rs.1.97 lakhs were issued by the purchasing dealers in favour of certain other dealers and not in favour of the assessee dealer. The non-detection and irregular allowance of deduction by the assessing authority resulted in short levy of tax amounting to Rs.27,075. Penalty not exceeding Rs.67,688 was also leviable on the dealer.

The irregularity was pointed out in Audit (January 1988) followed by reminders (October 1988 and February 1990) to the Department; their reply has not been received (January 1992).

47.16 A registered dealer in Delhi engaged in the business of photo goods was allowed deduction of Rs.1.87 lakhs from his gross turnover of Rs.18.11 lakhs during the year 1982-83 on account of sale made to other registered dealers duly supported by declaration in form ST-1. On cross verification of assessment records of the purchasing dealers, it was noticed in Audit (December 1987) that the deduction allowed was irregular as the purchasing dealers had issued these declarations for lesser amounts to some other dealers and not in favour of the assessee dealer.

The irregular deduction thus resulted in short levy of tax of Rs.18,700 and interest for non-payment of tax amounting to Rs.8,415. Besides, penalty not exceeding Rs.46,750 was also leviable on the dealer for furnishing inaccurate particulars.

On the omission being pointed out in Audit (December 1987), the Department re-assessed (October 1989) the dealer for tax and for interest (May 1991) and created an additional demand of Rs.27,115 (including interest amounting to Rs.8,415). The report on the levy of penalty and recovery position thereof has not been received (January 1992).

46.17 In Delhi a registered dealer engaged in the business of motor parts was allowed a deduction of Rs.1.40 lakhs from his gross turnover on account of sales made to other registered dealers on the basis of declarations in form ST-1 issued by the purchasing dealers during the assessment year 1982-83. It was noticed in Audit (December 1987) that the deduction allowed was irregular as the declarations furnished by the dealer were either issued by the purchasing dealers in favour of certain other dealers and not in favour of the assessee dealer or the declarations furnished by the dealer were in excess of the prescribed monetary limit of Rs.30,000. The irregularity was not detected by the assessing authority while framing the assessment which resulted in short levy of tax amounting to Rs.13,996. Besides, penalty not exceeding Rs.34,990 was also leviable.

On the irregularity being pointed in Audit, the Department re-assessed the dealer (October 1990) and raised additional demand of Rs.57,636 including penalty of Rs.26,000 and interest of Rs.17,640.

47.18 In Delhi, a registered dealer engaged in the business of motor parts claimed and was allowed deduction of Rs.1.05 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by six declarations in form ST-I for the assessment year 1982-83. The deduction was irregular as five of the six declaration forms were valid upto 31 March 1981 only. In one case the date of validity of the Registration Certificate was not given. This irregular grant of deduction resulted in short levy of tax.

On the omission being pointed out in Audit (November 1987), the Department re-assessed the dealer (September 1990) and raised an additional

demand of Rs.43,797 including penalty of Rs.20,000 and interest of Rs. 13,272.

47.19 During the year 1983-84, a registered dealer in Delhi engaged in the business of motor and tractor parts had claimed deduction of Rs.1.83 lakhs from his gross turnover on sale of goods made to other registered dealers by furnishing declaration in form ST-1 in support of his claims. On cross verification conducted by the Department of these forms with the accounts records of the issuing dealers it was revealed that either the forms supplied by the purchasing dealer were not issued to him by the Sales Tax Department or the purchasing dealers were not registered with the Department. The assessing authority while finalising the assessment levied tax amounting to Rs.14,377 but failed to levy penalty not exceeding Rs.35,943 and interest upto March 1988 amounting to Rs.9,956.

On the omission being pointed out (December 1988) in Audit, the Department stated (December 1991) that the dealer was being re-assessed. Further report on developments of the case has not been received (January 1992).

47.20 During the year 1983-84, a registered dealer in Delhi engaged in the business of bearings had claimed deduction of Rs.1.26 lakhs from his gross turnover on sale of goods made to other registered dealers by furnishing declaration in form ST-1 in support of his claim. Cross verification by the Department of these forms (December 1987), however, revealed that these forms had not been issued by the Sales Tax Department. The assessing authority while finalising the assessment levied tax amounting to Rs.12,560 but failed to levy penalty not exceeding Rs.31,400 and interest of Rs.10,393 for furnishing inaccurate particulars and non-payment of tax alongwith returns.

On the omission being pointed out in Audit (December 1988), the Department in their reply (January 1989) stated that interest is not leviable. The contention of the Department is not in accordance with the rules and this was communicated by Audit in August 1989 followed by a reminder in July 1990. Their reply has not been received (January 1992).

47.21 In the assessment year 1983-84, a registered dealer claimed and was allowed deduction of Rs. 3.38 lakhs from his gross turnover on account of sales made to other registered dealers duly supported by declarations in form 'ST-1'. However, on cross verification of assessment records by Audit (January 1989) it was noticed that the deduction allowed was irregular as the forms were not issued to the purchasing dealer by the department. The irregular deduction resulted in short levy of tax amounting to Rs.23,668 and non-levy of interest amounting to Rs.12,202. Besides, penalty not exceeding Rs.59,170 was also leviable.

On the omission being pointed out in Audit (January 1989), the Department re-assessed (February 1990) the case and raised an additional demand for Rs.95,093 (Tax Rs.23,656, interest Rs.12,300 and penalty Rs. 59,137). However, on the appeal of the dealer, the appellate authority remanded the case and reduced the penalty from Rs.59,137 to Rs.250 only. The additional demand was accordingly reduced from Rs.95,093 to Rs.36,206 (December 1990). The irregular deduction of Rs. 3.38 lakhs allowed by the Department as pointed out in Audit resulted in the recovery of Rs.36,206 (December 1990) from the dealer who deposited the entire amount (September 1990).

The above cases were reported to the Ministry of Home Affairs between July 1991 and October

1991; their reply has not been received (January 1992).

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

Under the Delhi Sales Tax Act, 1975 and the rules made thereunder, a registered dealer can purchase goods from another registered dealer without paying tax, if the goods are required by the purchasing dealer for re-sale within the Union Territory of Delhi or for use in manufacture in Delhi, of goods, sale of which is taxable in Delhi. For availing of the facility, the purchasing dealer is required to furnish to the seller a declaration in the prescribed form to the said effect. But if the dealer makes a false representation in regard to the goods or class of goods covered by his registration certificate or conceals the particulars of his sales, or files inaccurate particulars of his sales, penalty not exceeding two and a half times the amount of tax, which would thereby have been avoided, will be leviable in addition to the tax payable on the sales. Interest under section 27 of Delhi Sales Tax Act, 1975 for non-payment of tax with returns will also be leviable.

48.1 A registered dealer, in Delhi, engaged in the business of sale of Tractors and Auto-parts, fasteners, nuts and bolts, purchased goods worth Rs.236.46 lakhs without payment of tax from other registered dealers during 1985-86 by furnishing prescribed declaration, but accounted for purchases amounting to Rs.12.33 lakhs only in his accounts records. The short accountal of purchases of Rs.224.13 lakhs resulted in suppression of corresponding sale to the tune of Rs.232.31 lakhs after adding *prorata* margin of profit at the rate of 3.65 per cent. The suppression of sale was not detected by the assessing authority while finalising the

assessment, and as a result tax was levied short by Rs.16.26 lakhs. Further, interest amounting to Rs.13.94 lakhs and penalty not exceeding Rs.40.65 lakhs was also leviable on the dealer for furnishing inaccurate particulars and for non-payment of tax.

The omission was pointed out in Audit (March 1991) and subsequently (May 1991) to the Department; their reply has not been received (January 1992).

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

In Delhi, a registered dealer engaged in the business of Kiranas, dry fruit, milk products, metal, etc. purchased during the year 1984-85 without payment of tax, goods valued at Rs.778.35 lakhs from other registered dealers by furnishing prescribed declarations but accounted for purchases amounting to Rs.583.50 lakhs only in his trading account for that year. Consequently the short accountal of purchases amounting to Rs.194.85 lakhs, actually resulted in suppression of sales of Rs.195 lakhs (after adding profit margin at 0.08 per cent). The assessing authority while finalising the assessment (June 1989) of the dealer failed to detect the suppression of sales

which resulted in short levy of tax of Rs.13.65 lakhs. Further, penalty not exceeding Rs.34.13 lakhs and interest of Rs.9.35 lakhs was also leviable on the dealer for furnishing inaccurate particulars/non-payment of tax. The dealer had also not furnished any utilisation account for 596 other declaration forms (ST-1) issued to him on 17 June 1988 by the department.

The omission was pointed out in Audit in February 1990 to the Department; their reply has not been received (January 1992)

48.3 A registered dealer engaged in the business of medicines and general merchandise purchased without payment of tax, goods valued at Rs.26.01 lakhs and Rs.23.01 lakhs during the years 1983-84 and 1984-85 respectively from other registered dealers by furnishing prescribed declaration in form ST-1. The dealer had also purchased goods taxable at first point valued at Rs.47.14 lakhs and Rs.48.07 lakhs during the year 1983-84 and 1984-85 respectively. He, however, accounted for only purchases amounting to Rs.57.03 lakhs in 1983-84 and Rs.55.81 lakhs in 1984-85. Thus the short accountal of purchases amounting to Rs.31.39 lakhs (Rs.16.12 lakhs in 1983-84 and Rs.15.27 lakhs in 1984-85) resulted in suppression of corresponding sales amounting to Rs.32.90 lakhs (including profit margin based on the trading account). The suppression of sales was not detected by the assessing authority which resulted in short levy of tax by Rs.2.44 lakhs. Further, penalty not exceeding Rs.6.09 lakhs and interest amounting to Rs.2.16 lakhs were also leviable on the dealer for furnishing inaccurate particulars.

The omission was pointed out in Audit to the Department in April 1990 followed by reminder in September 1990; their reply has not been received (January 1992).

48.4 During the year 1984-85, a registered dealer engaged in the business of auto parts had purchased goods worth Rs.24.72 lakhs without payment of tax by furnishing declaration in form ST-1 but accounted for purchases amounting to Rs.17.17 lakhs only in his accounts records. The short accountal of purchases amounting to Rs.7.55 lakhs resulted in suppression of corresponding sales amounting to Rs.8.31 lakhs (after adding margin of profit at ten per cent). The non-detection of suppression of sale by the assessing authority while finalising assessment (March 1989) resulted in short levy of tax amounting to Rs.83,074. Besides, penalty not exceeding Rs.2.08 lakhs and interest of Rs.56,855 were also leviable.

The omission was pointed out in Audit (September 1989) followed by reminder (August 1990 and August 1991) to the Department; their reply has not been received (January 1992).

48.5 A registered dealer, in Delhi, engaged in the business of auto parts purchased goods valued at Rs.8.27 lakhs during 1983-84, without payment of tax on the basis of declarations in form ST-1, from other registered dealers. It was, however, noticed in Audit (January 1989) that he had accounted for purchases worth Rs.6.64 lakhs only in his accounts. The short accountal of purchases of Rs.1.63 lakhs resulted in suppression of corresponding sales amounting to Rs.1.79 lakhs after adding profit margin based on the trading account. The non-detection of suppression of sales resulted in short levy of tax amounting to Rs.17,851. Besides, penalty not exceeding Rs.44,628 and interest amounting to Rs.13,597 were also leviable on the dealer for furnishing inaccurate particulars and non-payment of tax.

On the omission being pointed out in Audit, the Department re-assessed the dealer (February 1991) and raised an additional demand of Rs.76,077 (including interest and penalty).

48.6 In Delhi, a registered dealer engaged in the business of electronic goods was assessed on best judgement basis for the year 1984-85 and his sale during 1st and 2nd quarter was determined as Rs.3.01 lakhs on the basis of quarterly returns furnished by the dealer. However, it was seen in Audit (March 1990) that a sale of Rs.4.63 lakhs was shown to have been made by the dealer for the period from April 1984 to July 1984 in the reconciliation statement filed with the trading account for the period ending July 1984. The failure of the assessing authority to detect the inaccuracy resulted in short levy of tax of Rs.16,245. Penalty not exceeding Rs.40,613 and interest of Rs.13,808 were also leviable.

On the omission being pointed out in Audit, the Department re-assessed the case (October 1990) and raised an additional demand of Rs.79,261 including an interest of Rs.38,979 and stated that action in regard to levy of penalty will be initiated separately. Report on further developments has not been received (January 1992).

48.7 During the year 1985-86, a registered dealer engaged in the business of re-sale of paper purchased goods worth Rs.37.57 lakhs without payment of tax by furnishing declaration in form ST-1 but accounted for purchases amounting to Rs.35.70 lakhs only. The short accountal of purchases amounting to Rs.1.87 lakhs resulted in suppression of corresponding sales amounting to Rs.2.01 lakhs (after adding profit margin at 7.42 per cent). The suppression of sale which was not detected by the assessing authority while finalising assessment (November 1989) resulted in short levy of tax amounting to Rs. 10,065 interest of Rs.8,178 and penalty not exceeding Rs.25,162.

On the omission being pointed out in Audit (December 1990), the Department raised an

additional demand of Rs.43,405 against the dealer (August 1991).

48.8 In Delhi, a registered dealer engaged in the business of hosiery goods, purchased goods worth Rs.28.90 lakhs without payment of tax from other registered dealers during 1981-82 by furnishing prescribed declaration in Form ST-1. He, however, accounted for purchases amounting to Rs.21.24 lakhs only in his accounts records. The short accountal of purchases resulted in suppression of corresponding sales to the tune of Rs.7.66 lakhs (without including profit margin). The suppression of sales, which was not detected by the assessing authority while finalising assessment, resulted in short levy of tax by Rs.7,658. Further, penalty not exceeding Rs.19,145 was also leviable on the dealer for furnishing inaccurate particulars of his sale.

Further, the dealer purchased plastic bags and packing material worth Rs.93,650 free of tax during 1981-82 by misrepresenting that the goods purchased were covered under his certificate of registration. The assessing authority while finalising the assessment failed to detect the misrepresentation which led to non-levy of penalty upto Rs.16,389.

On the omission being pointed out in Audit (December 1987) the Department re-assessed (October and November 1990) the dealer and raised additional demand of Rs.38,050 (including interest of Rs.17,836 and penalty of Rs.6,000).

The above cases were reported to the Ministry of Home Affairs between August 1991 and October 1991; their reply has not been received (January 1992).

49. Non-levy of Interest

Under the Delhi Sales Tax Act, 1975 and rules made thereunder, if any dealer fails to pay the tax due, he shall in addition to the tax due, be liable to pay simple interest on the amount so due, at one per cent per month (from the date immediately following the last date for submission of the return) for a period of one month, and at one and a half per cent per month thereafter so long as he continues to make default in such payments or till the date of completion of assessment whichever is earlier.

49.1 During the year 1984-85, a registered dealer engaged in the business of paper and paper boards had claimed deduction in his quarterly returns on account of sales made to other registered dealers to the tune of Rs.145.72 lakhs but could not produce declaration in form ST-1 in support of his claim. The assessing authority while finalising the assessment (March 1989) levied tax amounting to Rs.7.29 lakhs but did not levy interest amounting to Rs.6.03 lakhs for non-payment of tax alongwith the returns. Similarly, the dealer claimed and was allowed concessional rate of tax in respect of inter-State sale to the tune of Rs.1.36 lakhs in respect of which dealer failed to produce declarations in form 'C'. The assessing authority while finalising assessment (March 1989) levied tax amounting to Rs.8,150 but did not levy interest of Rs.6,730 for non-payment of tax alongwith the returns. The omission resulted in non-realisation of interest amounting to Rs.6.10 lakhs.

The omission was pointed out in Audit (February 1990) followed by a reminder (July 1991) to the Department; their reply has not been received (January 1992).

49.2 In Delhi, a registered dealer engaged in the business of sale of rubber claimed total

deduction from his gross turnover of Rs.28.12 lakhs during the year 1983-84 on the ground that the sales were made to other registered dealers. The assessing authority while assessing the dealer *ex parte*, however, determined the sales turnover as Rs.60 lakhs instead of Rs.28.12 lakhs and disallowed the claim of the dealer as he failed to produce the prescribed declaration in form ST-1 and levied tax on the assessed sales of Rs.60 lakhs but did not levy interest for non-payment of tax alongwith the returns. The omission resulted in non-realisation of interest amounting to Rs.4.38 lakhs.

On the omission being pointed out in Audit (December 1988), the Department re-assessed the dealer (September 1990) and raised an additional demand of Rs.1.84 lakhs as interest against the dealer. Report on the levy of balance amount of interest and recovery thereof has not been received (January 1992).

49.3 During the year 1983-84, a registered dealer engaged in the business of manufacture and sale of petroleum products had claimed deduction in his quarterly returns on account of sale amounting to Rs.19.73 lakhs made to other registered dealers but could not produce declaration in form ST-1 in support of his claim. The assessing authority, while assessing (March 1988) the dealer levied tax amounting to Rs.1.12 lakhs but omitted to levy interest for non-payment of tax alongwith the returns.

On the omission being pointed out in Audit (December 1988), the Department raised (January 1989) an additional demand of interest of Rs.76,842 against the dealer. Report on recovery has not been received (July 1991). The Department, however, intimated (September 1990) that the Appellate Tribunal, Sales Tax, has granted stay for the recovery.

49.4 During the year 1984-85, a registered dealer engaged in the business of printing ink had claimed deduction in his quarterly returns on account of sale made to other registered dealers of an amount of Rs.6.49 lakhs but could not produce declaration in Form ST-1 in support of his claim. The assessing authority, while framing assessment (January 1989), levied tax amounting to Rs.45,409 but did not levy interest amounting to Rs.31,439 for non-payment of tax alongwith the returns. Similarly, the dealer claimed and was allowed concessional rate of tax in respect of inter-state sales of an amount of Rs.90,795 during 1984-85 but failed to produce declaration in form 'C' in support of his claim. The assessing authority while finalising the assessment (January 1989), levied tax amounting to Rs.5,447 but did not levy interest for non-payment of the tax alongwith returns. The omission resulted in non-realisation of interest amounting to Rs.35,178.

The omission was pointed out to the Department in August 1989 followed by reminders in March 1990 and November 1990; their reply has not been received (January 1992).

49.5 During the year 1984-85, a registered dealer engaged in the business of PVC compound had claimed deduction in his quarterly returns on account of sales of Rs.6.34 lakhs made to other registered dealers but could not produce declarations in form ST-1 in support of his claim. Sales amounting to Rs.one lakh supported by ST-1 form were also disallowed by the assessing authority while finalising assessment (March 1989) and levied tax on total sales of Rs.7.34 lakhs but no action was taken to levy interest amounting to Rs.40,050 for non-payment of tax.

On the omission being pointed out in Audit (September 1990), the Department stated (December 1991) that steps are being taken to levy interest

against the dealer. Report on further developments has not been received (January 1992).

49.6 During the year 1985-86, a registered dealer engaged in the business of hardware goods had claimed deduction on account of sales made to other registered dealers amounting to Rs.7.52 lakhs but could not produce declarations in form ST-1 in support of his claim. The assessing authority, while finalising the assessment (February 1990), levied tax amounting to Rs.52,647 but did not levy interest amounting to Rs.35,668 for non-payment of tax alongwith the returns.

The omission was pointed out in Audit (September 1990) followed by a reminder (August 1991) to the Department; their reply has not been received (January 1992).

49.7 During the year 1983-84, a registered dealer in Delhi engaged in the business of re-sale of edible and non-edible oils had claimed deduction on account of sale made to other registered dealers to the extent of Rs.5.15 lakhs. The dealer could not, however, produce declaration in form ST-1 in support of his claim. The assessing authority levied tax (March 1988) amounting to Rs.32,137 but did not levy interest amounting to Rs.35,116 for non-payment of tax along with the returns.

On the omission being pointed out in Audit (May 1988), the Department re-assessed (April 1990) the case and raised an additional demand of Rs.1.15 lakhs including penalty of Rs.80,343.

49.8 During the year 1985-86, a registered dealer engaged in the business of electrical goods had claimed deduction in his quarterly returns on account of sales made to other registered dealers of an amount of Rs.6.91 lakhs but could not produce declarations for Rs.5.05 lakhs in form ST-1 in support of his claim. The assessing

authority while finalising assessment (January 1990), levied tax amounting to Rs.50,536 but did not levy interest amounting to Rs.34,997 for non-payment of tax alongwith returns.

The above omission was pointed out in Audit (August 1990) followed by a reminder (August 1991) to the Department; their reply has not been received (January 1992).

49.9 During the year 1984-85, a registered dealer engaged in the business of iron and steel had claimed deduction in his quarterly returns on account of sales made to other registered dealers to the tune of Rs.11.59 lakhs but could not produce declarations in form ST-1 in support of his claim. The assessing authority, while finalising the assessment (March 1989), levied tax amounting to Rs.46,353 but did not levy interest amounting to Rs.34,764 for non-payment of tax alongwith the returns. Similarly, the dealer claimed concessional rate of tax in respect of inter-state sale for Rs.1.06 lakhs but failed to produce declarations in form 'C' in support of his claim. The assessing authority while finalising the assessment (March 1989) levied tax amounting to Rs.8,480 but did not levy interest amounting to Rs.6,360 for non-payment of tax alongwith returns.

On the omission being pointed out in Audit (May 1990) followed by a reminder (July 1991), the Department re-assessed (August 1991) the case and raised an additional demand of Rs.41,124 against the dealer.

The above cases were reported to the Ministry of Home Affairs between July 1991 and October 1991; their reply has not been received (January 1992).

50. Irregular grant of exemption from tax

Under the Delhi Sales Tax Act, 1975 and the rules framed thereunder, sales of goods made by one registered dealer to another registered dealer are to be allowed as a deduction from the turnover of the selling dealer, on his furnishing alongwith his returns, a complete list of such sales duly supported by prescribed declarations in form ST-1 obtained from the purchasing dealer. But, if a dealer conceals the particulars of his sales, penalty not exceeding two and a half times of the amount of tax and interest under Section 27 of the Act which would thereby have been avoided, is leviable, in addition to the tax payable on the sales.

50.1 A registered dealer, in Delhi, engaged in the business of re-sale of edible oil and gur claimed and was allowed deduction of Rs.126.59 lakhs on account of sales made to other local registered dealers during the year 1983-84 on the basis of declarations (ST-1) obtained from the purchasing dealers. The deduction allowed was incorrect as sales amounting to Rs.119.69 lakhs only were supported by declarations in form ST-1. This resulted in tax amounting to Rs.34,498 not being levied on the sales of Rs.6.90 lakhs which were not covered by the prescribed declarations. Besides, penalty not exceeding Rs.86,244 and interest of Rs.23,631 were also leviable on the dealer for furnishing inaccurate particulars and non-payment of tax along with returns.

Further, the assessing authority while finalising assessment for the period 1983-84 levied tax amounting to Rs.4.92 lakhs on account of non-verification of sales of goods worth Rs.56.21 lakhs in the books of local registered dealers and failure of the assessee to produce ST-1 forms in support of his claim of sales amounting to Rs.42.15 lakhs to other registered dealers but failed to levy interest of Rs.3.37 lakhs

calculated from 16-5-84 to 21-3-88 for non-payment of tax alongwith returns.

On the omission being pointed out in Audit (August 1988), the Department stated (December 1991) that re-assessment proceedings were being initiated. Further developments of the case are awaited (January 1992).

50.2 Under the Central Sales Tax Act, 1956 a dealer who, in the course of inter-state trade or commerce or export out of the territory of India, sells any goods to a Government Department or a registered dealer shall be liable to pay tax at a concessional rate of four per cent or claim deduction from his gross turnover to the extent of the value of goods exported out of India subject to his furnishing a declaration in prescribed form.

A registered dealer, in Delhi, engaged in the business of surgical goods claimed and was allowed deduction of Rs.22.46 lakhs from his gross turnover (1984-85) on the basis of 24 ST-1 forms and 3 exemption certificates, submitted by him in support of his claim. A scrutiny of these forms (August 1989), however, revealed that the total amount covered by these forms worked out to Rs.9.35 lakhs only. Thus, the dealer was granted excess deduction to the tune of Rs.13.11 lakhs which resulted in short levy of tax of Rs.65,527 and interest of Rs.49,800 (Upto August 15, 1989).

Similarly, the same dealer was taxed at concessional rate of tax on inter-State sales amounting to Rs.18.16 lakhs on the basis of 66 'C' and 'D' forms submitted by him in support of his claim. The total of these forms in fact worked out to Rs.16.67 lakhs only on the basis of which deduction of Rs.16.03 lakhs after excluding the element of tax was admissible. Thus, there was evasion of tax of Rs.21,348 on the sales of Rs.2.13 lakhs which were not supported by

prescribed declaration forms. Besides, interest of Rs.16,225 upto August 15, 1989 was also leviable for non-payment of tax alongwith returns.

Further, the dealer had failed to submit declaration in form ST-1 for Rs.5.15 lakhs, 'C' forms for Rs.1.27 lakhs and export documents for Rs.2.01 lakhs in support of deduction/concessional rate of tax claimed in the quarterly returns. The assessing authority while finalising assessment (March 1989) levied tax amounting to Rs.53,508 but did not levy interest amounting to Rs.37,456 upto April 15, 1989 for non-payment of tax alongwith the quarterly returns.

On the omission being pointed out in Audit in August 1989 and subsequently in September 1990, the Department has stated (January 1992) that the dealer is being re-assessed. Further developments in the case are awaited (January 1992).

50.3 A registered dealer, in Delhi, engaged in the business of cosmetics was allowed deduction of Rs.11.06 lakhs on account of sales made to other local registered dealers during the year 1984-85 on the basis of declarations (ST-1) obtained from the purchasing dealers. The deduction allowed was incorrect as sales amounting to Rs.8.73 lakhs only were supported by declarations in form ST-1. This resulted in tax amounting to Rs.23,283 not being levied on the sales of Rs.2.33 lakhs which were not supported by the prescribed declarations. Besides, penalty not exceeding Rs.58,108 and interest of Rs.21,537 up to March 16, 1990 were also leviable for furnishing inaccurate particulars and non-payment of tax alongwith returns.

On the omission being pointed out in Audit (August 1989), the Department stated (January 1992) that the dealer was being re-assessed. Further developments in the case are awaited (January 1992).

50.4 A registered dealer in Delhi, engaged in the business of motor parts was allowed deduction of Rs.29.04 lakhs on account of sales made to other local registered dealers during the year 1984-85 on the basis of declarations (ST-1) obtained from purchasing dealers. The deduction allowed was incorrect as the sales amounting to Rs.28.04 lakhs only were supported by the declarations in form ST-1. This resulted in tax amounting to Rs.10,000 not being levied on the sales of Rs.one lakh which were not covered by the prescribed declarations. Besides, penalty not exceeding Rs.25,000 and interest of Rs.6,925 up to March 31, 1990 was also leviable on the dealer for furnishing inaccurate particulars/non-payment of tax alongwith with returns.

On the omission being pointed out in Audit, the Department re-assessed (January 1991) the dealer and raised additional demand of Rs.20,150 (including interest of Rs.10,150). Report on recovery and levy of penalty has not been received (January 1992).

50.5 In Delhi, while assessing (March 1990) a registered dealer for the year 1985-86 the sales amounting to Rs.2.40 lakhs were deducted from his gross turnover on the basis of ST-1 declaration forms issued by the purchasing dealer to him after 10 November 1981 which included more than one transaction and the aggregate of the amount in excess of the monetary limit included in this form worked out to Rs.2.08 lakhs. This resulted in short levy of tax of Rs.14,548. Besides, interest of Rs.11,652 was also leviable.

On the irregularity being pointed out in Audit, the Department re-assessed the dealer (June 1991) and raised an additional demand of Rs.38,295 (tax Rs.14,548, interest Rs.13,747 and penalty Rs.10,000).

50.6 While assessing (March 1989) a registered dealer engaged in the business of steel for the year 1984-85, sales amounting to Rs.5.72 lakhs were deducted from his gross turnover on the basis of one declaration form (ST-1). It was, however, noticed in Audit that 43 bills amounting to Rs.5.46 lakhs were included in the declaration form in excess of the prescribed monetary limit. The irregular deduction of these sales from the gross turnover resulted in short-levy of tax by Rs.21,832.

The omission was pointed out in Audit (January 1990) followed by a reminder (September 1990) to the Department; their reply has not been received (January 1992).

The above cases were reported to the Ministry of Home Affairs between August 1991 and October 1991; their reply has not been received (January 1992).

51. Non-levy of penalty

Under the provisions of the Delhi Sales Tax Act, 1975, when a registered dealer while purchasing goods, commits an offence of representing any goods or class of goods not covered by his certificate of registration, that such goods or class of goods are covered by such certificates shall, apart from the penalty not exceeding two and a half times of tax leviable, be punishable with rigorous imprisonment for a term which may extend to six months or with fine, or with both, and where the offence is a continuing one, with a daily fine not exceeding Rs.200/- during the period of the continuance of the offence.

51.1 In Delhi a registered dealer engaged in the business of Polyvinyl Chloride had shown Cold

Rolled Steel Sheets worth Rs.17.19 lakhs as transferred during 1982-83 from his Head Office in support of which he had not issued any statutory form, as these sheets were not covered by his registration certificate. The assessing authority, while finalising the assessment for the year 1982-83, failed to detect the misrepresentation and to initiate prosecution proceedings or to impose penalty on the dealer. This resulted in non-levy of penalty amounting to Rs.3.01 lakhs.

On the failure being pointed out in Audit (October 1988), the Department re-assessed the dealer (April 1990) and levied tax amounting to Rs.1.20 lakhs and imposed penalty of Rs.3 lakhs. Report on recovery has not been received (January 1992).

51.2 A registered dealer, engaged in the business of diaries and calenders, purchased goods made of Polyvinyl Chloride for Rs.2.89 lakhs free of tax, during the year 1984-85 by misrepresenting that the goods purchased were covered under his certificate of registration though the item was not included in his registration certificate for the purpose of resale. The assessing authority failed to detect this misrepresentation and consequently neither prosecution proceedings were launched against the dealer nor action to impose penalty upto Rs.50,642 was taken against the dealer by the assessing authority.

The irregularity was pointed out in Audit (July 1989) and subsequently in (January 1990) and (August 1991) to the Department; their reply has not been received (January 1992).

51.3 In Delhi, a registered dealer engaged in the business of manufacturing of electronic goods, purchased during the year 1982-83 goods which were only allowed for use as raw material for

manufacture and not for resale purpose in his certificate of registration. The dealer mis-utilised the certificate of registration by re-selling the goods amounting to Rs.1.29 lakhs. The assessing authority while finalising his assessment (March 1987) failed to notice the misrepresentation of facts and neither launched prosecution proceedings against the dealer nor imposed penalty not exceeding Rs.32,229.

On the failure being pointed out in Audit (February 1988), the Department re-assessed the dealer (September 1990) and raised an additional demand of Rs.45,121 including penalty of Rs.32,229. Report on recovery has not been received (January 1992).

The above cases were reported to the Ministry of Home Affairs between July 1991 and October 1991; their reply has not been received (January 1992).

52. Mistake in best judgement assessment

Under the provisions of the Delhi Sales Tax Act, 1975 and the rules made thereunder, if a dealer fails to furnish a return for any period by the prescribed date or the notice served on the dealer is not complied with and he neither appears nor produces evidences, the assessing authority is empowered to assess the dealer to the best of his judgement after giving the dealer a reasonable opportunity of being heard.

52.1 A registered dealer had not submitted the prescribed returns for the year 1986-87. In assessing the dealer for the year *ex parte* to the best of his judgement the assessing authority determined his turnover as Rs.52 lakhs (taxable at seven *per cent*) based on a ten *per cent* increase over the turnover determined in the previous year

1985-86. The turnover for the year 1985-86 was also determined *ex parte* on best judgement at Rs.47.48 lakhs (taxable at 10 per cent), based on a ten per cent increase over the declared turnover in the returns filed by him in the absence of books of accounts. It was, however, noticed in Audit (August 1991) from the utilisation account in form ST-2 submitted that the dealer had purchased without payment of tax, goods valued at Rs.211.22 lakhs during the year 1985-86, from other registered dealers by furnishing declarations.

Taking into account the purchases made by the dealer as pointed out in Audit (August 1991), the dealer was re-assessed on a turnover of Rs.232.34 lakhs for the year 1985-86 and on a turnover of Rs.256.57 lakhs for the year 1986-87 on best judgement basis and additional demand of Rs.205.78 lakhs (Rs.99.22 lakhs for the year 1985-86 and Rs.106.56 lakhs for the year 1986-87) was raised (September 1991). Further developments regarding recovery have not been received (January 1992).

52.2 In Delhi, while finalising *ex parte* assessment of a dealer engaged in the business of plastic pipes for the year 1985-86, his turnover was determined (March 1990) at Rs.55 lakhs on best judgement basis as he had neither submitted quarterly return for the fourth quarter nor had he produced records despite issue of several notices. From the utilisation account in form ST-2 submitted by the dealer it was observed (March 1991) in Audit that the dealer had in fact purchased without payment of tax, goods valued at Rs.117.47 lakhs from other registered dealers by furnishing declaration.

On this being pointed out in Audit (March 1991) the assessing authority re-assessed the dealer to tax on a turnover of Rs.140.96 lakhs on best judgement basis and raised (July 1991) an

additional demand for Rs.13.43 lakhs. Report on recovery of demand is awaited (January 1992).

The above cases were reported to the Ministry of Home Affairs between August 1991 and October 1991; their reply has not been received (January 1992).

53. Loss due to irregular authorisation in the certificate of registration.

Under the provisions of Delhi Sales Tax Act, 1975, a registered dealer can purchase goods from another registered dealer without payment of tax if the goods are intended for use as raw material in the manufacture of goods the sale of which is taxable in Delhi. For availing of the facility, such items are allowed in the registration certificate of the dealer by the Department mentioning the purpose for which those will be utilised by him.

A registered dealer, in Delhi, engaged in the business of stainless steel plates purchased grinding wheels worth Rs.11.46 lakhs free of tax by furnishing prescribed declaration in form ST-1 during the year 1984-85. The grinding wheels which were allowed to the dealer by the Department in his registration certificate are not directly used as material for the manufacture of any finished product and being of the nature of depreciable assets cannot be included in the certificate of registration as raw material for manufacture. The mistake on the part of the Department in allowing the dealer to purchase grinding wheels free of tax, resulted in loss of Rs. 80,190 which otherwise would have been paid by the dealer while making such purchases.

Further, the dealer had claimed deduction of Rs.41.30 lakhs on account of sale made to other registered dealers and produced declarations in

the prescribed form (ST-1) obtained from the purchasing dealers. The assessing authority while finalising the assessment in March 1989, on verification, rejected the sale and levied tax but failed to levy penalty not exceeding Rs.10.33 lakhs and interest (up to March 1989) amounting to Rs.2.83 lakhs.

The omission was pointed out in Audit (July 1989) to the Department; their reply has not been received (January 1992).

The above case was reported to the Ministry of Home Affairs in September 1991; their reply has not been received (January 1992).

54. Irregular grant of deduction from the taxable turnover

Under the provisions of Delhi Sales Tax Act, 1975, a deduction from the taxable turnover of the dealer is allowed provided the sale of goods in respect of which tax due is shown to have been paid to the satisfaction of the Commissioner of Sales Tax. As per the provision of the Act *ibid* sale of goods declared free, sales declared not liable to tax under Section 8 of the Act *ibid* and sales to registered dealers of goods specified in the registration certificate of the dealer as being intended for use by him as raw material in the manufacture of goods for sale in Delhi or in the course of inter-State trade or commerce or for sale in the course of export out of India are not exigible to tax.

A registered dealer engaged in the business of gunny bags claimed and was allowed deduction of Rs.18.26 lakhs from his gross turnover (1984-85) on the basis of 11 'F' forms submitted by him in support of his claim. The deduction was allowed by the assessing authority on the basis of statement of the dealer on oath in his affidavit

that the goods were purchased from the hawkers after paying sales tax for which no proof of payment of tax to the Government account was furnished. Since the hawkers are unregistered dealers and cannot collect tax under Section 22 of DST Act. The deduction on account of these goods (purported to have been purchased from unregistered dealers without producing any proof in token of having paid the tax) from the gross turn-over of the dealer was not correct and resulted in non-realisation of tax amounting to Rs.1.28 lakhs.

The objection was pointed out (March 1990) in Audit followed by a reminder (September 1990) to the Department; their reply has not been received (January 1992).

The above case was reported to the Ministry of Home Affairs in October 1991; their reply has not been received (January 1992).

55. Short levy due to application of incorrect rate of tax.

Under the provisions of the Delhi Sales Tax Act, 1975, read with notification issued thereunder, on sale of "sanitary goods" tax is leviable at the rate of ten paise in the rupee.

In Delhi while making *ex parte* assessment of a registered dealer engaged in the business of sanitary goods for the year 1985-86, the assessing authority determined his turnover at Rs.8.56 lakhs and taxed the entire turnover at the rate of 7 per cent instead of at 10 per cent as prescribed under the Act.

On the mistake being pointed out in Audit (August 1990), the Department re-assessed (August 1990) the dealer and raised an additional demand

of Rs.31,546 (including interest). Report on recovery has not been received (January 1992).

The above case was reported to the Ministry of Home Affairs in August 1991; their reply has not been received (January 1992).

Directorate of Transport and Tourism

56. Loss of revenue due to delay in renewal of registration after 15 years.

Under the provisions of the Motor Vehicle Act, 1988, a certificate of registration issued whether before or after the commencement of the said Act, in respect of motor vehicle, other than a transport vehicle, shall, subject to the provisions contained in the Act, be valid only for a period of fifteen years from the date of issue of such certificate and shall thereafter be renewable.

During the course of audit (May 1990), it was noticed that a total number of 75,680 cars and 1,50,670 scooters stood registered at the end of 1973 for which re-registration fee at the prescribed rate was required to be paid during 1988-89. After ignoring the number of vehicles for which no objection certificate had been issued to other states (where the vehicles had been transferred) the total vehicles for which re-registration fee had become due and was not realised by the Department was 75,645 cars and 1,50,660 scooters. Calculated @ Rs.100/- per car and Rs.30/- per scooter, the amount of re-registration fee due to the Department works out to Rs.120.84 lakhs as detailed in the Annexure 'A'

As against this, the Department could realise only Rs.0.44 lakh as re-registration fee during

the year 1988-89. Thus, a substantial balance of Rs.120.4 lakhs remained unrealised since 1988-89.

The matter was reported to the Commissioner of Transport in August 1991; reply received (November 1991) from the Department was not relevant to the point of audit objection. The matter was, therefore, again referred to the Department (November 1991). Further developments are still awaited (January 1992).

The above case was reported to the Ministry of Home Affairs in September 1991; their reply has not been received (January 1992).

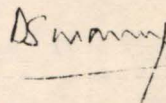
57. Loss of Revenue due to incorrect fixation of permit fee.

Under the provisions of the Delhi Motor Vehicle Rules, 1959, as amended from time to time, permit fee to be levied for issue of renewal of a temporary permit for a period of four months at a time was Rs.200. Fee prescribed for issue of a temporary permit for a period of less than four months was, however, rupees five per day.

A scrutiny in Audit (May 1990) of records of the Directorate of Transport, however, revealed that temporary permits for a period of 15 days or one month or two months were issued in 564 cases during the year 1988-89 and the permit fee at the rate of Rs.25, Rs.50 and Rs.100 was charged for a period of 15 days, one month and two months respectively instead of at Rs.5/- per day for each permit. Since the rules do not provide for charging of fee for temporary permits at monthly rate for periods of less than four months, the practice followed by the Directorate was not only irregular but also resulted in a loss of revenue of Rs.61,850.

The omission was pointed out to the Department in May 1990. The Department intimated in November 1991 that an amount of Rs.54,600 had already been recovered. The report regarding recovery of the balance amount has not been received (January 1992).

The above case was reported to the Ministry of Home Affairs in September 1991; their reply has not been received (January 1992).



(D. SWARUP)

Principal Director Of Audit-II,
Central Revenues

New Delhi
The

13 APR 1992

Countersigned



(C.G. SOMIAH)

Comptroller and Auditor General
of India

New Delhi
The

13 APR 1992

A P P E N D I X - I
(Refers to paragraph 3.6.1)

Disposal of cases registered during the year 1985-90
(as on 31st December each year)

Year	Repo- rted	Canc- elled	Admi- tted	Worked out	Chall- aned	Conv- icted	Acqui- tted	Pend- ing trial	Pend ing inves- tiga- tion	Untra- ced (col. 4-6 -10)	percent- age of untraced cases (col.11 to col.4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Under IPC											
1985	30410	1645	28765	12823	12796	2450	2114	8232	13	15956	55.5
1986	29828	1473	28355	14541	14474	2377	1569	10528	21	13860	48.9
1987	25832	1446	24386	13356	13142	1852	1099	10191	80	11164	45.8
1988	28017	1369	26648	14508	14338	1533	661	12144	220	12090	45.3
1989	30523	1465	29058	15908	15137	961	238	13938	467	12454	42.8
1990	31847	1376	30471	16497	14883	779	112	13992	2972	12616	41.4
Under Local and Special Laws											
1985	7799	32	7767	7680	7680	2801	1138	3741	3	84	1.08
1986	7693	75	7618	7487	7485	2352	1067	4066	13	120	1.6
1987	6768	102	6666	6483	6470	2123	444	3903	13	183	2.7
1988	6426	88	6338	6273	6250	2466	326	3458	15	73	1.1
1989	7726	35	7691	7575	7359	2381	130	4848	252	80	1.03
1990	9398	29	9369	9238	8110	2863	133	5114	1192	67	0.7

APPENDIX - II
(Refers to paragraph 3.6.2)

Crime against women

	1985	1986	1987	1988	1989	1990
Number of cases recorded (A)	<u>2163</u>	<u>3108</u>	<u>3899</u>	<u>4923</u>	<u>6164</u>	<u>6182</u>
Types of cases						
Molestation of women	95	112	95	130	159	177
Rape	89	92	104	127	161	185
Dowry deaths	43	64	79	103	109	120
Dowry related cases (u/s 406 IPC)	54	95	210	390	268	226
Cruelty by husband or in-laws	169	266	344	349	336	341
Cases in which Stridhan was restored (percentage to A above)	-	-	456 (11.6%)	549 (11.15%)	586 (9.5%)	530 (8.6%)
Cases ending in compromises (Percentage to A above)	604 (27.9%)	473 (15.2%)	763 (19.5%)	1209 (24.5%)	1786 (28.9%)	1437 (23.24%)
Cases recommended for prosecution u/s 498-A/406 IPC (Percentage to A above)	158 (7.3%)	359 (11.5%)	476 (12.2%)	675 (13.7%)	725 (11.7%)	563 (9.1%)
Cases recommended for prosecution under Dowry Prohibition Act 1961 (Percentage to A above)	16 (0.7%)	7 (0.2%)	10 (0.25%)	6 (0.12%)	4 (0.06%)	2 (0.03%)

Note:-Number of cases pending for investigation in January 1991 were 473, of the year 1990.

A P P E N D I X -III

(Refers to paragraph 26)

Losses and irrecoverable dues written off/waived
and ex gratia payments made

In eighteen cases a sum of Rs.0.068 lakh representing losses due to other reasons was written off and in five cases ex gratia payments amounting to Rs.0.94 lakh was made during 1990-91 as detailed below:-

Department	Due to other reasons		Ex gratia payments	
	No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)
Office of the Commissioner of Police	--	--	5	0.94
Delhi High Court	16	0.044	--	--
Office of the chief Engineer, Delhi Administration, Zone-1	2	0.024	--	--
Total	18	0.068	5	0.94

ANNEXURE - A

(Refers to paragraph 56)

	Motorcycles/ Scooters	Cars
Total no. of vehicles registered during 1973-74 which were due for re-registration in 1988-89	1,50,670	75,680
Less no objection issued	10	35
Balance vehicle alive during 1988-89 which required re-registration	1,50,660	75,645
Actual re-registration	445	889
<i>Rate of re-registration fee per vehicle</i>	Rs.30	Rs.100
Total amount receivable from re-registration (1,50,660 x 30) + (75,645 x 100)	= Rs.1,20,84,300	
Actual amount of re-registration		
Fee as per information furnished by re-registration cell	(-) Rs. 44,633	
Balance amount outstanding	Rs.1,20,39,667	

