

Chapter-IV
Performance Audit and
Transaction Audit

Chapter 4 Performance Audit and Transaction Audit

4.1 Performance audit of Delhi State Industrial and Infrastructure Development Corporation

Highlights

The Delhi State Industrial and Infrastructure Development Corporation (DSIIDC) Limited is engaged in industrial and infrastructural development in the State. The important findings are as under:

The Company had outstanding ground rent of ₹ 99.67 crore receivable from 14906 allottees of industrial plots in its industrial areas.

(Paragraph 4.1.4)

As against the intent of the Government to lay concrete roads only where sewer lines and water lines had been laid, the company laid cement concrete roads valuing ₹ 206.96 crore in colonies without ensuring laying of sewer lines and water lines by Delhi Jal Board.

(Paragraph 4.1.5.1)

Irregularities were noticed in appointment of consultants for various projects. Non-compliance of provisions of CPWD Works Manual relating to availability of structural drawings, approved layout plans, fixing completion period for projects, award of work, preparation of justified rates and technical evaluation of bids were also observed.

(Paragraphs 4.1.4.1, 4.1.6.1, 4.1.6.2, 4.1.6.3, 4.1.7.2, 4.1.9.1, 4.1.11)

The Company constructed dwelling units with G+2 and G+3 structures as against the provisions of MPD-2021 which envisaged dwelling units with G+3 and G+4 structures, thereby losing opportunity to construct additional 3720 low cost houses.

(Paragraph 4.1.7.1)

Incorrect projections for annuity of Narela industrial estate PPP on UOMT basis caused an avoidable future outgo of ₹ 91.50 crore during the 15 years period from 2013-14 to 2028-29.

(Paragraph 4.1.12)

4.1.1 Introduction

The Delhi State Industrial and Infrastructure Development Corporation (DSIIDC) Limited is engaged in industrial and infrastructural development in the State. It functions under the administrative control of the Department of Industries, Government of National Capital Territory of Delhi (GNCTD). The main objectives of the DSIIDC are to promote, develop and maintain all types of industries and industrial areas in Delhi, to carry business in all types of consumer goods and merchandise and to undertake and provide marketing facilities for small scale industries.

The management of DSIIDC is vested in the Board of Directors comprising of eight directors. The day to day operations are managed by the Chairman-cum-Managing Director assisted by an Executive Director and a team of officers.

Though, the core activity of DSIIDC was development of industrial estates in Delhi, it is also engaged in retail sale of liquor, running of Delhi Emporium and organizing exhibitions etc. With the enactment of the Delhi Industrial Development Operation and Maintenance Act, 2010 (the O&M Act), the scope of activities of DSIIDC was expanded covering all industrial areas, industrial estates and flatted factory complexes in Delhi for the purpose of securing and assisting orderly establishment and organization of industries in these areas along with their operation and maintenance.

Prior to May 2011, DSIIDC had been discharging its activities through 21 divisions¹. With a view to manage operations of specific activities, DSIIDC created (May 2011) four wholly owned subsidiary companies namely-(i) DSIIDC Liquor Limited (DLL) for its liquor business, (ii) DSIIDC Exim Limited (DEXL) for its import/ export business and material management, (iii) DSIIDC Maintenance Services Limited (DMSL) to handle its maintenance services, logistics and planning activities related to real estate business, and (iv) DSIIDC Energy Limited (DEL) for its energy projects.

4.1.1.1 Audit objectives

The broad audit objectives were to assess whether DSIIDC and its subsidiaries had:

- adequate financial and budgeting controls to ensure financial discipline;
- carried out their mandated activities to achieve its objectives efficiently, effectively and economically;
- adequate human resources available; and
- an efficient internal control and monitoring mechanism.

4.1.1.2 Audit scope and methodology

Performance audit of DSIIDC covering the period 2008-13 was conducted during April to September 2013. Audit selected, for analysis, operations of eight² out of 21 divisions of the Company on the basis of volume of operations. In addition, projects undertaken by two subsidiary companies (DMSL and DLL) and records of the National Institute of Jewellery were also scrutinized.

An entry conference was held with Management (June 2013) to discuss audit objectives, scope, methodology and criteria. Audit findings were issued to Government and management inviting their views. An exit conference was held (February 2014) with Management to discuss the draft audit findings which was attended by the Chairman-cum-Managing Director. The Company replied to the audit findings (January 2014). The views expressed by

¹ 1. Marketing, 2. Import and Export, 3. Relocation, 4. Emporium, 5. Exhibition, 6. Community Work Centre, 7. Narela Allotment Cell, 8. Recovery, 9. Raw Material, 10. Industrial Estate Management, 11. Low Cost Housing, 12. Works, 13. Quality Management System, 14. Country Liquor, 15. Indian Made Foreign Liquor, 16. Delhi State Mineral Development Corporation, 17. Overseas Manpower Bureau, 18. Technical Consultancy Office, 19. Industrial Estate Management, 20. Mineral, 21. Common Effluent Treatment Plant.

² 1. Relocation, 2. Emporium, 3. Community Work Centre, 4. Low Cost Housing, 5. Works, 6. Country Liquor, 7. Indian Made Foreign Liquor, 8. Industrial Estate Management.

Management have been considered while finalizing this performance audit report.

4.1.1.3 Audit criteria

Audit criteria were drawn from:

- The Delhi Industrial Development, Operation and Maintenance Act, 2010;
- Guidelines and directions issued by the Central Vigilance Commission (CVC), the State Government and the Central Government;
- Master Plan of Delhi and CPWD Works Manual; and
- Agenda notes & resolution of the BoDs and the Work Advisory Board.

Audit findings

4.1.2 Financial management

The financial results of operations of the Company for the period 2008-13 are given in **Annexure 4.1 and 4.2**. The status of main financial parameters, namely, Reserve and Surplus, Total Income and Profit of DSIIDC for the period 2008-13 are given in Table 4.1.

Table 4.1
Financial management (₹ in crore)

Year	Reserves and surplus ³	Turnover	Total income	Profit after tax
2008-09	47.65	1,428.68	1,426.32	7.93
2009-10	78.54	1,112.58	1,159.12	31.08
2010-11	1,375.41	906.50	1,081.81	117.43
2011-12	1,286.31	1,323.17	1,569.60	184.63
2012-13	1,497.88	1,452.42	1,656.79	157.78

Audit observed that:

- the turnover of the Company comprised of two main components – income from sale of liquor and flats and deposits works & project works of Government. The turnover of ₹ 1,428.68 crore in 2008-09 stood at ₹ 906.50 crore in 2010-11 and again went up to ₹ 1,452.42 crore for the year 2012-13.
- the profit after tax of ₹ 7.93 crore in 2008-09 went upto a high of ₹ 184.63 crore in 2011-12 and was ₹ 157.78 crore in 2012-13. The reasons for increase in profit are increased profitability in Operation Maintenance Reserve Fund (OMRF) which contributed ₹ 10.60 crore (2010-11), ₹ 63.11 crore (2011-12) and ₹ 61.97 crore (2012-13) besides margin from increased sale of liquor, flats and interest income from fixed deposits in banks.

³ Cumulative figure

4.1.2.1 Loss of ₹ 3.07 crore in operation of DSIIDC EPF Trust

The Employees Provident Fund Organization (EPFO) had granted (1972) relaxation under paragraph 79 of the Employees' Provident Fund Scheme, 1952 to DSIIDC allowing it to maintain its own EPF Trust. However, EPFO withdrew (24 February 2011) the relaxation citing non compliance of rules. In declaring the DSIIDC EPF Trust an un-exempted organization, EPFO directed DSIIDC to transfer all PF accumulations of the Trust to the Regional Provident Fund Commissioner (RPFC) but it was not transferred. The Trust though suspended its operations and transferred all balances to savings bank accounts. Nevertheless, it was bound to pay interest to member employees on statutory rates declared by EPFO. Besides, its own funds were also blocked in loans and advances paid to employees against their PF accumulations. After a gap of two years, DSIIDC applied (April 2013) and was granted exemption (November 2013) under Section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The gap in applying for exemption by two years resulted in delay in obtaining relaxation and DSIIDC had to recoup the loss of ₹ 0.98 crore (₹ 0.24 crore for 2011-12 and ₹ 0.74 crore for 2012-13) of the Provident Fund Trust.

Audit also observed that DSIIDC EPF Trust had invested ₹ 1.27 crore in six companies of UP Government during the period 1999 to 2005 with maturity value of ₹ 2.21 crore, under guarantee given by the UP State Government. The Trust received ₹ 0.56 crore only of the maturity value. However, DSIIDC EPF Trust neither received the balance amount of ₹ 1.65 crore of the maturity value nor invoked the guarantee and the DSIIDC had to recoup the amount to the Trust to comply with the provisions of the EPF Act. The Trust also incurred losses of ₹ 54.52 lakh and ₹ 51.84 lakh during 2007-08 and 2009-10 respectively in its working and after adjusting these losses from 'Reserves and Surplus of the Trust', balance of ₹ 0.44 crore was recouped by DSIIDC.

Thus, DSIIDC suffered a loss of ₹ 3.07⁴ crore due to imprudent decision making in affairs of the Trust. The DSIIDC accepted (January 2014) the observations.

4.1.2.2 Flatted Factory Complex Jhandewalan

In compliance to O&M Act, the Industries Department, GNCTD transferred Flatted Factory Complex (FFC), Jhandewalan to DSIIDC (December 2011) which consisted of 570 units. All units were allotted on rental lease. Utility charges (including water and electricity charges) were fixed (2005) at ₹ 1,250 per unit per month (₹ 85.50 lakh per annum for entire FFC).

Audit observed that DSIIDC paid water charges of ₹ 2 crore (March 2012) to the Delhi Jal Board (DJB) for the period upto 08 November 2011, i.e. for the period prior to transfer of FFC which should have been borne by the Department of Industries. Thus, DSIIDC blocked its ₹ 2 crore and lost interest of ₹ 24 lakh (calculated at 8 *per cent* for 18 months upto September 2013).

It was also noticed that majority of allottees were not paying utility charges and DSIIDC paid ₹ 1.65 crore as water charges only (for period from 9 November 2011 to 8 March 2013) to DJB in March 2013 and ₹ 1.85 crore

⁴₹ 0.98 crore + ₹ 1.65 crore + ₹ 0.44 crore

towards electricity and water charges during 2012-13 while it received only ₹ 56.01 lakh (including arrears) as against ₹ 85.50 lakh as utility charges. Even though the difference of utility charges and actual payment of electricity and water charges is borne by it, DSIIDC did not take steps to revise utility charges. This resulted in loss of ₹ 99 lakh (₹ 1.85 crore minus ₹ 85.50 lakh) during 2012-13 only.

The DSIIDC accepted (January 2014) audit observations and informed that utility charges had been revised. The DSIIDC further assured for action to recover from Department of Industries arrears for the period prior to transfer of FFC.

4.1.3 Pre-feasibility study for Monorail project: Diversion of funds

DSIIDC appointed (27 May 2011) M/s RITES for carrying out techno-economic feasibility study and preparation of DPR for Monorail project between Shastri Park and Kalyanpuri for a fee of ₹ 1 crore and paid consultancy fee of ₹ 1.18 crore (including taxes). DSIIDC sent claim (August 2012) to the Transport Department for reimbursement of consultancy fee paid by it and a letter claiming reimbursement was also sent in March 2013. Failure of DSIIDC to properly follow-up the matter resulted in blocking of ₹ 1.18 crore and loss of interest of ₹ 10.14 lakh (@ 8 per cent).

DSIIDC in its reply stated (January 2014) that the study was undertaken under the directions of GNCTD and Government agreed to reimburse the expenditure incurred on feasibility study by DSIIDC through the Transport Department. It further stated that on receipt of payment of ₹ 1.18 crore, the amount would be credited to the concerned head of account.

4.1.4 Relocation Division

In pursuance to the H'ble Supreme Court's orders of 1996, GNCTD started a scheme for relocating industrial units operating in non-confirming areas and a Relocation Division was created in DSIIDC to monitor compliance of terms and conditions of allotment of industrial plots, execution of lease deed, collection of ground rent, checks on defaulters etc. Out of 51,851 units to be relocated, 27,984 were declared eligible for allotment of plots or flats. DSIIDC had allotted 22,307 plots in Bawana, Bhorgarh, Narela, Badli, Patparganj and Jhilmil upto 2012-13. Possession of 18,553 plots was given and lease deeds were executed with 16,082 allottees and 136 eligible units were on waiting list (January 2013) for want of specific size of plots.

The DSIIDC was maintaining data pertaining to payment of ground rent by allottees of industrial plots under relocation scheme. To provide a facility to allottees to pay ground rent online, DSIIDC implemented online payment gateway of ICICI Bank Ltd. However, payments made by the allottees did not get updated automatically but had to be updated fortnightly by the Relocation Division manually on DSIIDC's website. There were no validation checks in the application as it accepted future dates for receipt of ground rent. This resulted in generation of erroneous ledger of allottees. DSIIDC accepted (October 2013) system deficiencies and assured to remedy them. As of March 2013, ground rent of ₹ 99.67 crore was outstanding from 14906 allottees of industrial plots in Industrial areas.

4.1.4.1 Infrastructure development at Bhorgarh and Bawana (Phase II)

DSI IDC finalised tenders for the work of infrastructure development in new industrial areas at Bhorgarh and Bawana Phase II on the third occasion of their invitation (May 2007) which were invited in two parts (A and B). Contract for Part A was awarded to M/s Indu Projects Ltd. at ₹ 94.21 crore and for Part B to M/s L&T Ltd. at ₹ 77.44 crore and letters to commence work were issued (January 2008).

Audit observed that initially set work completion period (1st occasion of invitation to tender) of 18 months was enhanced on 2nd occasion of invitation to tender to 20 months on expression of bidders of inadequacy of time due to difficulty faced in execution of fly ash work. As a consequence of this enhancement in contract completion period which put the completion period at 20 months, Clause 10 CC of the CPWD manual came into operation which provides for variation in contract amount due to variation in prices of materials and service. A clause was also added in the contract for giving incentive for finishing the work before time. The contract completion period of 20 months was allowed on 3rd occasion of invitation of tender also, though this time, quantity of fly ash work to be executed was reduced by 15 *per cent* from 11.07 lakh cum to 9.40 lakh cum.

Indu Projects Ltd. completed the work on 29 June 2009 against scheduled date of completion (6 September 2009) and M/s L&T Ltd. completed the work on 16 April 2009, ahead of scheduled date of completion (6 August 2009). Audit observed that DSI IDC incurred avoidable extra expenditure of ₹ 14.32 crore for variation in contract amount due to variation in price of material and services to both the contractors though the quantity of fly ash work was reduced which was cited as the reason for enhancing the scheduled period of completion. However, no payment under incentive clause was made.

The fact that both the works were completed within 17 months conclusively indicates that initially set completion period of 18 months was quite reasonable and enhancement in completion period was unnecessary and unjustified.

DSI IDC replied (January 2014) that work completion period was increased keeping in view the response to first call for invitation to tender. The completion period was worked out as per CPWD Manual and revising stipulated time to 20 months for a work of ₹ 44.63 crore was within the provisions of Manual which was considered necessary to attract more bidders to have a fair bidding. The reply is not acceptable as completion period should have been calculated taking into account all factors, drawing PERT and CPM chart etc. Enhancement in completion time should have no impact on bidding as bidders also would have factored in the 18 months' time in submitting their price bids. The contention of enhancement of time on account of fly ash work also was not acceptable in audit as the scheduled quantity of item 'carriage/ execution of fly ash work' was reduced to 9.40 lakh cum from 11.07 lakh cum in third call for invitation to tender and the quantity actually executed was even less (8.63 lakh cum).

4.1.4.2 Development of industrial area at Kanjhawla and Rani Khera

For development of new industrial area at Kanjhawla and Rani Khera, DSIIDC followed open tendering and assigned the project consultancy to M/s Consultancy Engineering Services (India) Pvt. Ltd (M/s CES) at ₹ 18,570 per acre (total amount ₹ 1.86 crore) in January 2008. Audit observed inconsistencies in tendering and execution of contract. DSIIDC:

- followed the same technical qualification criterion - 'having required potential and experience of handling similar projects of estimated cost of not less than ₹ 100 crore in India or abroad during last seven years for project planning and design services', for selection of consultant for two schemes (Kanjhawala 920 acres and Rani Khera 127 acres). This was not justified as the area under Kanjhawala scheme was more than six times the area under Rani Khera scheme.
- failed to provide to consultant necessary approvals and environment clearance from GoI for treatment, storage, and disposal facility (TSDF) site. Even other requisite information were provided with a delay. DSIIDC ultimately foreclosed consultancy contract on account of non-performance.

Audit observed that DSIIDC lacked clarity on the project development as it revised the layout plans thrice and failed to comply with the contractual obligations to provide requisite data to the consultant. The foreclosure of contract citing non-performance by the consultant resulted in unfruitful expenditure of ₹ 8.54 lakh.

DSIIDC stated (January 2014) that to encourage healthy competition, terms and conditions of NIT were approved by competent authority and the consultant was appointed accordingly. The reply is not acceptable as by keeping the same technical criteria for both the works, competition was restricted. DSIIDC also failed to provide the requisite information/ data to the contractor as per the agreement, resulting in foreclosure of the contract.

4.1.5 Engineering Division

The Engineering Division of DSIIDC is executing all deposit works (civil and electric) on behalf of various government agencies. The division generated total revenue of ₹ 2,796.91 crore for the Corporation during 2008-13.

4.1.5.1 Development works in unauthorized colonies

The Urban Development Department (UDD), GNCTD entrusted to DSIIDC the work of providing basic infrastructure facilities like roads, storm water drains, etc. in unauthorized colonies (UC) in Delhi. During 2008-13, DSIIDC awarded 1,024 contracts valuing ₹ 1,085.26 crore for construction of roads and storm water drains.

Audit noticed that Council of Ministers decided (November 2007) for cement concreting of roads in 1,071 eligible unauthorized colonies, out of 1,539 unauthorized colonies, where water lines and sewerage lines or any other services had already been laid, thereby, obviating the need to frequently cut the roads. While conveying the above decision in April 2008, it was altered that the cement concrete roads would be laid wherever the sewerage and water

lines had not been laid instead of laying the concrete roads wherever sewerage and water lines had been laid. Thus, the intent of the decision was altered.

As a result of the above Government decision, works of laying of cement concrete roads valuing ₹ 206.96 crore were carried out in colonies where sewer lines and water lines had not been laid by the Delhi Jal Board.

DSI IDC stated (January 2014) that the work of construction of cement concrete roads was taken up under the orders of UDD conveying Cabinet Decision dated 6 September 2007. The condition of laying of water and sewer lines was mentioned in Cabinet decision dated 20 November 2007 which was reiterated vide letter dated 16 September 2008. In the exit conference, DSI IDC stated that till date, (February 2014) Delhi Jal Board had not laid sewer and water lines on most of those roads pointed out by Audit.

The reply is not acceptable as there is no record available with the Company indicating that the concrete roads were laid only on those places where there would be no need for laying the sewerage and water lines thereby the necessity of cutting the concrete roads cannot be ruled out.

4.1.6 Project 'Roopantar'

The Department of Education (DoE), GNCTD conceived a project named 'Roopantar' for upgrading the existing infrastructure of schools and assigned it as a deposit work to DSI IDC. The DoE identified and assigned 198 school premises to DSI IDC for refurbishment. DSI IDC engaged M/s IL&FS Education and Technology Services Limited (IETS) to prepare a school-wise improvement plan and awarded contracts for upgradation of 144 schools in five clusters. Contracts for 48 schools were awarded separately during May 2008 to June 2009 whereas work for six schools could not be awarded as clear sites were not available. The DoE accorded administrative approval and expenditure sanction (AA&ES) for ₹ 245.22 crore.

The following deficiencies were noticed in the project:

4.1.6.1 Deficiencies in NIT for appointment of consultant

The DSI IDC issued NIT (6 June 2006) for appointment of consultant for the project. The NIT was kept open ended and did not contain information on scope of work viz. total number of schools to be covered in the project, estimated cost, qualifications of firms, past experience of similar works, turnover of bidding firms, penalty clause etc.

DSI IDC stated (January 2014) that NIT was issued based on CPWD manual. The consultant was required to depute technical staff and to provide VAT/ service tax/ PAN etc. DSI IDC in exit conference explained that the NIT was not open ended and the contract was different from construction contracts. The consultancy fee was on percentage basis. The reply is not acceptable as DSI IDC itself had been engaged in the business of consultancy and construction through its own Engineering Division and the deficiencies pointed out are normally there in any tender document and should have been incorporated.

4.1.6.2 Selection of an ineligible firm as consultant

Of the two parties who submitted bids, only M/s IETS was declared as technically qualified and awarded the consultancy and agreement signed (November 2006). Audit scrutiny showed that NIT allowed bids from Group of Companies or Joint Ventures (JV) also. However, for required experience in civil and architectural projects, IETS submitted a Memorandum of Understanding with M/s Pradeep Sachdeva Design Associates (PSDA), with whom it did not have any JV. Thus, IETS did not fulfill the criterion of JV or group of companies and hence its technical bid was not factually qualified. Moreover, IETS submitting bid in the capacity of an independent firm, was not an architectural and civil contractor firm. Hence, its bid on the basis of MoU should have also been rejected.

The DSIIDC replied that IETS had signed an MOU for fulfilling the technical criteria. The reply is not acceptable as the NIT conditions permitted bids from JV or a group of companies and not from a group formed through a MoU.

4.1.6.3 Irregularities in execution of 'Roopantar' project

Audit observed irregularities in execution of the project:

- DSIIDC prepared justification of rates on the basis of rates obtained through a market survey (MRJ). However, the procedure adopted for market survey was not on record. The veracity of period of market survey, constitution of committee appointed for the purpose, quotations obtained from suppliers and vendors etc. could not be ascertained as rates of same items differed across five clusters where works were awarded during June 2009 to August 2009. DSIIDC stated (January 2014) that MRJs were prepared in accordance with the CPWD works manual and the minor variation in the rates of few items was due to market fluctuation on account of Common Wealth Games. The reply is not acceptable as the validity of rates quoted by bidders was 60 days as also the variation in rates is not justified within a short period across the five clusters within Delhi.
- In case of cluster 5, the bid of JV of BLS Infrastructure and Sumer Construction was accepted. It was noticed that on 23 August 2009, BLS Infrastructure resolved to find suitable JV partner for submission of bid in respect of 28 cluster schools and on the next day i.e. 24 August 2009 entered into JV agreement with Sumer Corporation. Hence, it formed a JV with Sumer Construction with a purpose to become technically qualified in the bid. Further, as per clause 4.2 of JV agreement, BLS Infrastructure was the one responsible for the execution of the contract

DSIIDC in its reply (January 2014) stated that JV of BLS Infrastructure and Sumer Corporation was qualified as per technical criteria of NIT and approved by competent authority. To safeguard interests of the Corporation, indemnity bonds were obtained independently and severally. The reply is not acceptable as DSIIDC obtained indemnity bonds subsequent to the finalization of technical bids which also substantiates the audit point that JV formed was not technically qualified for its financial bid being considered.

- In case of school at BholaNath Nagar, an additional work of ₹ 50.80 lakh was undertaken besides the original work of ₹ 1.74 crores on the recommendation of IETS. IETS altered the work requirements on several occasions which DSIIDC sanctioned. This indicated lack of initial planning and site survey by the consultant.

DSIIDC in its reply (January 2014) stated that the existing provision in the estimates were not sufficient and the building needed additional strengthening on account of which additional expenditure was incurred. The reply is not tenable as repeated revision of scope of works indicates lack of planning and site survey.

4.1.7 Housing projects

The DSIIDC undertook 13 projects for construction of 64,040 dwelling units (DUs) during 2008-13 under JawaharLal Nehru National Urban Renewal Mission (JNNURM) for rehabilitation of urban poor and slum relocation project. Five projects (23,040 DUs) were shelved for non-availability of clear sites, after incurring ₹ 46.45 lakh on these projects. As of 31 March 2013, 13,820 DUs had been completed while construction of 25,500 DUs was in progress. Work of remaining 1,680 DUs could not be awarded for want of sites.

4.1.7.1 Under-utilization of land for construction of DUs

For affordable housing for the urban poor, Master Plan for Delhi 2021 (MPD 2021) (formulated February 2007) provides that the built up accommodation should be around 25 sqm so as to achieve maximum density of 600 dwelling units (DUs) per hectare. However, DSIIDC prepared and got approved DPR for four projects⁵ (June 2007 and October 2008), for construction of 13,820 DUs (G+2 and G+3 types) with density of around 300 units per hectare. This resulted in under utilisation of land in Delhi and the loss of opportunity to construct additional 3,720 DUs.

DSIIDC stated (January 2014) that DPRs of 13,820 houses were based on MPD-2001 where there was a provision of 300 units per hectare which was increased to 600 units per hectare after introduction of MPD-2021 in the year 2007. During this period GNCTD entrusted the work of JNNURM to DSIIDC and projects at Narela, Bhorgarh and Bawana were switched over to JNNURM. DSIIDC also informed that FAR of 600 units per hectare could be achieved by building seven to eight storey buildings which required lifts leading to enhancement of cost per unit. Thus, keeping the unit cost low was the main constraint for achieving FAR of 600 units per hectare but in view of scarcity of land now DSIIDC is constructing G+4 units to achieve required FAR. Thus, DSIIDC could not achieve the FAR as envisaged in the MPD-2021 and that by constructing DUs in G+2 and G+3 format, instead of G+3 and G+4 format, opportunity to construct additional 3,720 low cost houses and providing them to needy citizens could not be availed of.

⁵ Housing for urban poor at Bawana, Narela and Bhorgarh in June 2007; Slum relocation project at Kanjhawla, Ghoga and Bapraula in June 2007; Slum relocation project at Bawana in October 2008; Slum relocation project at Bapraula Phase II in October 2008.

4.1.7.2 Irregularities in appointment of consultant

DSI IDC invited 21 empanelled Architects (10 August 2006) requesting them to submit their offer for the work of construction of 40000 houses. The consultancy fee was fixed at one *per cent* of the cost of project excluding the cost of land and @ 0.5 *per cent* for project management consultancy (PMC) which included quality audit, quality control and site supervision and management. Audit observed that M/s Adlakha & Associates had already initiated the work in June 2006 at Bawana Extension, Narela Industrial Complex and Bhorgarh (Bawana-II) before letters were issued to empanelled Architects. This was evident from a letter dated 9 June 2006 of M/s Adlakha & Associates, which mentioned that preliminary drawings had already been prepared and the scheme for Bawana Extension had been submitted to the Planning Department of MCD. The preliminary estimate of the scheme and the Detailed Project Report (DPR) was also stated to have been submitted to DSI IDC.

In the meantime, four Architects submitted (30 August 2006) their bids. Thus, while the empanelled Architects were requested to submit their bids, consultancy work had already been awarded. By March 2013, DSI IDC paid fees of ₹7.41 crore.

M/s Behl Joshi & Associates were appointed as consultant out of the short-listed consultants for projects of Kanjhawala and Bawana. However, these projects could not begin due to court's stay orders. During 2011-12, DSI IDC again decided to take up construction of 4000 DUs at Kanjhawla and this time, entered into an agreement (6 March 2012) with M/s Behl Joshi & Associates selected on the plea of revival of old agreement instead of open bidding, at a fee of one *per cent*. Audit noticed:

(i) The appointment of M/s Behl Joshi & Associates without competitive bidding was irregular. Even when the firm was lowest bidder for the project which was stayed, no agreement had been executed with the firm, therefore, it cannot be construed as revival of old agreement. DSI IDC accepted (September 2013) the audit observation and stated that only letter of commencement was issued to the firm.

(ii) Construction works of flatted dwelling units are of repetitive nature where drawing for one block only is approved by the competent authority, and the same is used for construction of other blocks of the project. Hence, uniform consultancy fee for every block of the project was not justified.

DSI IDC replied (January 2014) that there was urgency to construct houses under JNNURM. M/s Adlakha & Associates, who were on its panel and had done the work of 3164 industrial workers' housings, were asked to prepare DPR for submission to the Ministry of Housing and Urban Poverty Alleviation. In case M/s. Adlakha did not qualify, the fee paid to them would have been adjusted against the fee of successful consultant, for the work done. With respect to award of work to M/s Behl Joshi & Associates, DSI IDC stated that it was a competitive bidding and only the work was revived. It further stated that every project had its own dimensions, ground topography and type of soil and bearing capacity. Therefore, layout of each project is to be

prepared on the basis of plot size, topography etc. and, therefore, it cannot be construed that the work was of repetitive nature. DSIIDC, in exit conference, stated that it was a fair bidding and M/s Adlakha was the leading firm for construction of EWS units in the country.

The reply is not acceptable as M/s Adalkha had started the work prior to the start of tendering process. Fee should have been fixed after finalization of technical bids. Payment of uniform fee for repetitive nature of work was in violation of CVC guidelines. Even if the contention of DSIIDC on dimensions, ground topography, type of soil and bearing capacity is also considered, the consultancy fee should have been reduced for repetitive nature of constructions of superstructure of buildings.

4.1.7.3 Non-assessment of technical capability of a single contractor

At Tikri Kalan for construction of 6,740 DUs, DSIIDC split the project into two parts and issued two separate NITs (29 June 2012) for construction of 3360 DUs and 3380 DUs reasoning that it would reduce dependence on a single contractor, with a condition that no agency be awarded the work for more than 10,000 DUs under JNNURM. However, it was noticed that M/s Pandhe Infracons Pvt. Ltd, being L-1 in response to both the NITs, was awarded the work at its quoted price ₹ 145.81 crore and ₹ 149.73 crore respectively. Thus, though criteria of maximum 10,000 DUs to one firm was inserted in NITs, no condition was inserted to ensure that a bidder gets only one contract inspite of its being L-1 in both the NITs as was the intention when splitting the project into two. It was also noticed that completion period of projects was 12 months but as of November 2013 the firm could complete only 6.50 *per cent* of 3,360 DUs and 6.13 *per cent* of 3,380 DUs though contracts were awarded in December 2012. This showed failure of DSIIDC in assessing the technical capability of the single contractor to execute both contracts which led to delay in completion of the project.

DSIIDC stated (January 2014) that it was a matter of chance that for both the works, same agency was L-1. After clubbing both the packages, number of DUs comes to 6,740 DUs which was less than 10,000 DUs. However, due to their financial crunches, the contractor could not achieve the physical progress as per prescribed milestones and action against the firm was being taken in terms of agreement. DSIIDC, in exit conference, stated that the work was split because of time constraint.

The reply is not acceptable as the criteria of maximum 10,000 DUs to a single firm was inserted in NITs and the work was split with a view to reduce the dependence on single contractor but the aim could not be achieved as evident from the poor completion rate in the contract.

4.1.8 Revenue generation projects

DSIIDC decided to develop three industrial areas as revenue generation projects (RGPs), namely- (i) Commercial Complex-cum-Flatted Factory-cum-Facility Centre at Okhla Phase-I, (ii) Functional Industrial Estate for Electronics at Okhla Phase-II, and (iii) New office building in place of its Administrative Block Building at Wazirpur Industrial Area.

4.1.8.1 Irregularities in RGP at Okhla Phase-I

For RGP at Okhla Phase-I, DSIIDC appointed (May 2010) a consultant for designing and obtaining necessary approvals at a fee of ₹ 89.69 lakh. DSIIDC awarded (February 2012) the work of redevelopment for ₹ 37.74 crore. A contract of dismantling of existing structures was also awarded (February 2012) for ₹ 35.36 lakh. MCD rejected the proposed building plan on 12 July 2012.

Due to absence of necessary approved plans, drawings and hindrance free site to contractor, the contract was foreclosed (December 2012). The dismantling contractor could work on 2,722.64 sqm area out of 4,590.46 sqm due to non-vacation of site by tenants which indicated that DSIIDC did not frame an action plan for the project before launching it. DSIIDC incurred an expenditure of ₹ 30.29 lakh including ₹ 13.45 lakh as consultancy which proved unfruitful.

DSIIDC replied (January 2014) that appointment of consultant was a prior requirement for taking up of any construction project and the expenditure was justified. They further explained that MCD approval could not be obtained due to the nature of plot and entrance problem. The reply is not acceptable as MCD had rejected the proposed building plan due to non availability of completion plans and layout plan with DSIIDC of earlier structure and in the absence of same, the construction contract had to be foreclosed.

4.1.8.2 Delay in RGP at Okhla Phase-II and Wazirpur

DDA allotted (April 1993) 2,665.41 sqm of land at Okhla, Phase-II to DSIIDC for construction of electronics market and allowed five years for construction extended upto June 2002. On this site, DSIIDC decided (February 2000) to set up a marketing estate for computer hardware/ software and electronics industries and appointed a consultant at a fee of ₹ 2.12 lakh. Audit observed that construction activity on the project had not started as of October 2013:

- The NIT floated in February 2001 was cancelled due to failure in taking policy decision. The payment of ₹ 2.12 lakh for consultancy was, thus, unfruitful.
- Building plan was not approved (October 2013) by MCD as DSIIDC could not provide 'No Objection Certificate' (NOC) regarding property tax from MCD and extension of time (EoT) from DDA in time. DSIIDC paid (July 2010) ₹ 53.17 lakh as composition fee including penalty for getting EoT for nine years upto December 2011 and property tax of ₹ 1.32 lakh including interest of ₹ 0.31 lakh. DSIIDC again paid (September 2013) composition fee of ₹ 47.61 lakh for EoT upto July 2015.

Thus, DSIIDC in failing to start construction work of the project for more than 13 years paid avoidable composition fees of ₹ 1.01 crore. This indicated lack of planning as it could not get necessary approvals from MCD as of October 2013 inspite of appointing a professional consultant.

The DSIIDC replied (January 2014) that delay in statutory approvals was beyond its control. The reply is not acceptable as DSIIDC failed to deposit property tax in time and had to pay composition fee for EoT. Besides, there was delay in getting the NOC and EoT from respective departments which ultimately delayed necessary approval from MCD.

Similarly, to construct a new building in place of existing Administration Block located at Wazirpur Industrial Area, to gain advantage of full Floor Area Ratio (FAR) permitted under MPD – 2021 with ground covered upto maximum 50 *per cent*, a new building (1,995 sqm) was proposed to be constructed. On this land parcel of 18,268.39 sqm, 75 sheds were already existing on an area of 8,784.54 sqm (48.09 *per cent*) which left only 348.92 sqm (1.91 *per cent*) for the proposed new Administrative Block.

A consultant was appointed (August 2010) at a fee of ₹ 15.76 lakh for preparation and getting necessary approvals to all plans from concerned authorities and statutory bodies but MCD did not sanction building plan as DSIIDC failed to produce previous approved layout or amalgamation plan. The consultant was nevertheless paid their fees. DSIIDC, without waiting for MCD approval, invited NIT for construction which could be finalized only on fourth occasion (September 2011) where only one party was found technically eligible and was awarded the contract at ₹ 10.38 crore. However, construction work could not be started for want of approved Layout Plan. Consequently, DSIIDC foreclosed the contract (May 2013).

Audit here also observed that the appointment of consultant was unwarranted and expenditure on consultancy was avoidable. The DSIIDC replied (January 2014) that the appointment of consultant was pre-requisite for taking up of any project and that the project was made on the basis of consultant's concept approved by a jury comprising of the Chief Architect, NDMC and a faculty from the School of Planning and Architecture. The reply is not acceptable as DSIIDC appointed the consultant despite knowing the fact that as per MPD 2021, sufficient area was not available for the project and as regards jury, its members were appointed only to assess the technical eligibility of the bidders and not for assessing the requirement of land as per MPD-2021.

4.1.9 Community Work Centre (CWC)

Board of Directors in its meeting held on 29 March 2007 approved renovation of CWC's at two sites on pilot basis, out of 29 CWCs, from its own funds to be replenished later on from receipts. Audit observed:

4.1.9.1 Poor contract management leading to avoidable liability

The work of modernization of CWC at SeemaPuri was awarded to M/s Rama Construction Company at its quoted rate of ₹ 12.22 crore. The letter of acceptance and for commencement of work was issued (January 2008). Audit observed:

- There was no justification on records for awarding the work before appointing the consultant for preparing detailed structural drawings and without getting building plans approved from MCD,

- The acceptance of refund claim of contractor for amount deducted on account of VAT and TDS was not in order. As per the order of VAT Commissioner and Income Tax Rules, these are deductible from mobilization advance, and
- Besides, contractor went into arbitration where his claim of ₹ 1.34 crore including interest @ 9 per cent was accepted due to failure of DSIIDC in getting the building plans approved in time.

The Management stated (January 2014) that the consultant was appointed after the award of work to avoid any eventuality of loss in case the projects got dropped. Structural drawings were prepared by the consultant and were in process of approval from IIT, Delhi and IIT, Roorkee. DSIIDC added that it had challenged the arbitration award in High Court as work was not rescinded but abandoned by the contractor.

4.1.10 National Institute of Jewellery

DSIIDC decided (2002) to set up a Gem and Jewellery Park. The National Institute of Jewellery Design and Technology was registered in October 2005 under the Societies Registration Act, 1860 as 'not for profit organization' with the objective to provide continuous supply of skilled human resources with the technical expertise encompassing all aspects of modern jewellery manufacturing. The institute is providing courses in Jewellery Designing and Gemmology and provides testing facilities also.

Audit observed that numbers of students enrolled were only 13 to 57 during 2005-13 and only one piece of gold was tested in the laboratory during 2011-13. The total grant received was ₹ 10.84 crore against which ₹ 11.65 crore was utilized (partly met out of interest earned on the grant received during 2002-13). The Institute had accumulated loss of ₹ 3.20 crore up to 2011-12.

DSIIDC accepted (January 2014) the audit point.

4.1.11 Delhi Emporium-‘Bharti’

DSIIDC runs the Delhi Emporium ‘Bharti’ for encouragement of Handloom and Handicrafts Artisans and other small entrepreneurs’ products.

DSIIDC decided (October 2011) to renovate Delhi Emporium. Audit observed that no estimates for renovation were prepared. The justification for cost estimates was taken from the cost of previous renovation work of ₹ 145.37 lakh of 2004-05. It was also recorded that the cost of renovation would be recovered from expected increase in customers and income in future.

After following open tendering process, M/s Creative INC was awarded the contract at ₹ 1.63 crore, for designing and renovating the exterior and interior facade of the Emporium. Audit noticed that to award the work, the weightage of 80:20 per cent assigned to technical and financial eligibility was against the norms of 70:30 per cent prescribed in the guidelines of the Ministry of Finance, GoI (Manual of procedure for appointment of consultants).

DSIIDC replied (January 2014) that the project was given on a turnkey basis to a vendor who could design and implement the work so that there was no mismatch in conceptualizing and implementing the project. The score to be

given in technical bid was not on percentile basis and incidentally the financial bid of the selected bidder was lowest. The reply is not acceptable as detailed cost estimates are also to be prepared in turnkey projects

4.1.12 Additional expenditure on annuity for PPP project

GNCTD appointed (January 2009) M/s Infrastructure Development Finance Corporation (IDFC) as consultant in pursuance of letter of acceptance (December 2008) for conducting a study to achieve the following objectives:

- conduct detailed analysis of various infrastructure facilities and gap analysis, understanding the requirements and assessing the economic viability of projects at Narela, Patparganj, Okhla and Bawana Industrial areas,
- prepare a detailed infrastructure blue print for each of the identified industrial area,
- prepare a preliminary feasibility study for developing the infrastructure facilities in PPP model,
- prepare the bid and contract documents for the selection of private sector partner for implementation of each facility, and
- assist the GNCTD in the selection of concessionaire and financial closure.

For the achievement of above objectives, DSIIDC was to assist the consultant in obtaining the relevant information from concerned authorities and make available data related to each industrial area, day to day interaction and monitoring of activities. The consultant undertook a feasibility study under a Upgrade Operate Maintain Transfer (UOMT) framework, independently for three projects at - (i) Okhla, (ii) Patparganj, (iii) Bawana and Narela and submitted (April 2011) a Financial Appraisal Assessment against the total indicated time schedule of eight months.

Audit observed that the consultant projected the project cost of Bawana and Narela over 15 years as ₹ 90 crore and ₹ 130 crore respectively. The revenue gap for the period was projected at ₹ 10 crore per annum (IRR of 8.13 *per cent*) for Bawana and ₹ 21 crore per annum (IRR of 9.13 *per cent*) for Narela which were to be met by DSIIDC through annuity.

DSIIDC invited (March 2011) 'Request for Proposal (RFP)' for upgradation and redevelopment of Bawana and Narela industrial estates on Public Private Partnership mode (PPP) on an UOMT basis with concession period of 15 years. After the consultant evaluated the proposals (May 2011), the project was allotted to two firms (L-1) - to M/s PNC Delhi Industrial Infra Pvt Ltd for Narela at annuity of ₹ 21.50 crore and to M/s Bawana Infra Development Pvt Ltd for Bawana at annuity of ₹ 7.48 crore and DSIIDC entered (July 2011) into concession agreements.

Audit observed:

- that GNCTD approved (3 March 2010) 26 *per cent* shareholding of DSIIDC in Special Purpose Vehicle (SPV) for development,

operations and revenue collection in the Bawana and Narela industrial estates and a concession period of 30 years. However, DSIIDC awarded the projects for 15 years and 100 *per cent* share holding was retained by M/s Bawana Infra Development Pvt Ltd for Bawana and M/s PNC Delhi Industrial Infra Pvt Ltd for Narela for which approval of GNCTD was not found on record.

- The consultant adopted capex of ₹ 161.98 crore instead of ₹ 145.39 crore, occupancy was taken as 58.60 *per cent* in first year of concession period i.e. 2011-12 against the actual of 90 *per cent*, collection efficiency of monthly statutory dues was taken as 60 *per cent* in third year (for the first two years from the annuity commencement date, statutory dues were not payable) which was not in tandem with the occupancy rate of 90 *per cent* in second year itself.
- For Narela, project IRR works out to 14.89 *per cent* instead of 9.13 *per cent* as worked by the consultant. Detailed calculations of annuity by consultant for Bawana Project were not provided.
- Even after 27 months of award of contract (upto October 2013), DSIIDC did not conduct an audit of books of accounts of concessionaires itself or through representatives in terms of Section 11.7 of the concession agreement. Thus, the construction work carried out by the concessionaires on the project could not be assessed in audit.

Thus, had the Company provided data to the consultant closer to the date of consideration of final report, consultant would have made realistic assumptions and project IRR of 9.13 *per cent* would have been achieved with annuity payment of ₹ 14.90 crore instead of ₹ 21.50 crore per annum. The resultant incorrect projections imposed avoidable contractual liability on DSIIDC to pay ₹ 91.50 crore in excess of actual requirement over 15 years.

DSIIDC stated (January 2014) that occupancy rate of 58.90 *per cent* was based on data provided to consultant in the year 2009. The collection efficiency was kept low in initial years based on opinion of stakeholders and concerns of intending bidders in pre-bid conference.

The reply is not acceptable as consultant submitted their report in April 2011 based on data provided by the DSIIDC in 2009 whereas actual occupancy in May 2011 itself had reached 90 *per cent*.

4.1.13 Human resource management

Human resource management is important for execution of activities of an organization over a period of time. The position of sanctioned strength and men-in-position during 2008-13 is detailed in **Table 4.2**.

Table 4.2
Sanctioned strength and men-in-position (overall)

	2008-09	2009-10	2010-11	2011-12	2012-13
Sanctioned strength	1,732	1,593	985	1,493	1,491
Men-in-position	1,246	1,206	821	1,042	1,019

(ii) Sanctioned strength and men-in-position (Group A and B)

	Sanctioned		Men in position	
	A	B	A	B
2008-09	220	157	168	99
2009-10	156	182	160	103
2010-11	158	217	148	94
2011-12	156	216	151	79
2012-13	156	216	153	75

Audit observed that the percentage of employees on deputation showed an increasing trend whereby DSIIDC’s own Group A staff was reduced to less than 50 *per cent* of the total officers strength. The officers brought on deputation assignments were engaged in long engineering projects.

DSIIDC stated (January 2014) that the posts of Senior Project Managers are being filled up by drawing personnel on deputation basis from other organizations to execute a large number of works assigned to the Corporation.

4.1.13.1 Absence of HR policy

DSIIDC neither prepared a defined HR policy nor long term and medium term manpower plans. DSIIDC was following staffing norms laid down in the Delhi State Industrial Development Corporation Ltd. (Staff Service) Rules, 1978. As these rules were framed 35 years ago, many of its contents have become outdated with changing business environment. DSIIDC stated (January 2014) that DSIIDC Staff Service Rules, 1978 serve as guiding principles for the organization. As and when need was felt by the management, corresponding amendments were made in accordance with changes in business environment. However, DSIIDC assured to keep audit advice in view in reviewing its Human Resource rules.

4.1.14 Internal control

Internal controls designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes were found weak in DSIIDC as mentioned elsewhere in the Report. Audit observed that DSIIDC has not prescribed the scope, coverage and periodicity of internal audit. It had engaged services of chartered accountant firms for internal audit for 2008-09 to 2011-12.

Conclusion

The performance of the Company with regard to its mandate was not optimal. DSIIDC was saddled with liabilities because of imprudent decisions in its EPF Trust. DSIIDC engaged services of consultants for various projects but did not examine their recommendations technically, resulting in avoidable financial implications. Non-compliance of provisions of CPWD Works Manual relating to availability of approved layout plans and structural drawings resulted in foreclosure of contracts, shelving of projects and impediments in execution of various construction works. The Company as a result of incorrect projections imposed upon itself avoidable contractual liability. DSIIDC neither prepared a

defined HR policy nor long term and medium term manpower plans leading to non-optimization of available human resources. Internal control procedures were not commensurate with its size and volume of operations.

Recommendations

The Company needs to:

- ensure compliance of provisions of CPWD Works Manual at all stages of construction contracts to avoid impediments in the execution of works;
- ensure timely and correct data to its consultants to arrive at appropriate projections;
- review its human resource policy to optimally utilize its resources; and
- strengthen internal controls and procedures.

The above points were referred to the Management and Government. While the reply of the Management was received and their views have been incorporated in the Report, reply of the Government has not been received (February 2014).

Transactions Audit Observations

Government Companies

4.2 Delhi Tourism and Transportation Development Corporation Limited

4.2.1 Loss due to non recovery of property tax

Loss of ₹ 51.43 lakh due to non-recovery of property tax of covered parking area from contractor at Delhi Haat, Pitampura

Delhi Tourism and Transportation Development Corporation Limited (Company) constructed a Delhi Haat at Pitampura in October 2007. The Company being the licensee of the land from Delhi Development Authority and liable to pay the property tax to Municipal Corporation for the land and building etc. constructed thereon, paid property tax amounting to ₹ 116.91 lakh till March 2013.

The Company licensed parking services through contractors w.e.f. October 2008. As per the terms of the agreements, the contractors were liable to pay all duties/ fees/ levies/ parking charges/ statutory taxes including property tax/ ground rent/ service tax etc. levied by any statutory authority.

Audit scrutiny showed that the Company paid property tax amounting to ₹ 51.43 lakh during the period October 2008 to March 2013 for the parking area which was let out to the contractors but did not recover the same from the licensee contractors though the agreements provided for the same.

The Company stated (July 2013) that as per MCD Act, the property tax is leviable upon lessor. It further stated that property tax should not be considered as statutory tax.

The reply of the Company is not acceptable because as per the agreements signed between the Company and the contractors, the contractors were liable to pay all duties/ fees/ levies /parking charges/ statutory taxes including property tax/ ground rent/ service tax etc. levied by any statutory authority, which was not done in this case. Thus, the Company in not enforcing its agreements did not consider the recovery of property tax from the contractors, which resulted in loss of ₹ 51.43 lakh to the Company.

The matter was referred to the Government (July 2013), their reply was awaited (February 2014).

4.2.2 Blockade of funds and loss of revenue due to non operationalisation of a tourist complex

Blockade of funds to the tune of ₹ 5.67 crore due to delay in selection and appointment of Advisor for selection of an operator

The Government of National Capital Territory of Delhi agreed in principle (July 2005) to develop tourist complex/ facilities at Kanganheri through the

Company. The Company decided (December 2005) to run the tourist complex on Public Private Partnership (PPP) mode.

The Company, therefore, took over land measuring 11.44 acres from Irrigation and Flood Control Department (I&FCD) in March 2006 on lease for 10 years for developing tourist facilities at Kanganheri. The ground rent for the said land was ₹1 per sqm per annum, which worked out to ₹ 4.63 lakh for a period of 10 years i.e. from March 2006 to March 2016.

The construction and development of tourist complex at Kanganheri was completed in September 2010 at a cost of ₹ 5.27 crore. Thereafter, the Company appointed (August 2012) M/s Feed Back Infrastructure Services Private Limited (Advisor) to assist the Company in selecting the private operator for operation, maintenance, management and transfer of tourist complex at Kanganheri.

It was observed that the Company took nearly two years to appoint the Advisor for assisting the Company in selecting a private operator who was not appointed till November 2013 which resulted not only in blockade of funds of ₹ 5.27 crore but also wasteful expenditure of ₹ 40.27 lakh on maintenance of the complex during last two years i.e. from April 2011 to March 2013.

The Company stated (May 2013) that agreement with I&FCD for Kanganheri was valid till March 2016 and it had been pursuing with the I&FCD to extend the license for a period of at least 20 years so that proper operational plans for the project could be worked out and investment made by the Company is recovered. The reply of the Company is not tenable since the Company is left with only two years for recovery of its investment.

The Department stated (October 2013) that Kanganheri project cannot be seen as a separate entity from the adjacent Chhawla project. In isolation, the Kanganheri was neither conceived nor would it be sustainable and extension of lease period is under process.

The reply of the Department is not acceptable since both the projects have not been conceived and implemented together.

4.2.3 Loss of ₹ 1.44 crore in running the canteen at Delhi Legislative Assembly

Loss of ₹ 1.44 crore in operation and management of a canteen in Delhi Legislative Assembly due to absence of a formal agreement and non-conducting any cost-benefit analysis

The Company, on the request of Secretary, Delhi Legislative Assembly (Assembly Secretariat), took over the operation and management of Vidhan Sabha Canteen with effect from 10 September 2007 to provide services to MLAs, VIPs and officers during meetings. The request further stated that the Company will keep the rates same as charged in the Delhi Government Secretariat canteen.

Audit observed that the canteen services were started without carrying out any cost analysis and also without entering into a formal agreement or

memorandum of understanding (MoU) with the Assembly Secretariat. The Company in running the canteen operation was able to recover the cost of material only and all other employees cost and administrative expenses could not be covered through operations.

The Company suffered a loss of ₹ 1.44 crore during the period September 2007 to March 2013. The Board of Directors of the Company expressing its concern at the continuous loss directed the Company (September 2011) to take up the matter with the Assembly Secretariat for reimbursement of losses incurred by the Company and also to insist upon the Assembly Secretariat to run the canteen as per the Department of Personnel and Training (DOPT) guidelines, failing which to issue a 60 days' notice for closure of canteen services. The decision of the Board was communicated to the Assembly Secretariat in October 2011. The Assembly Secretariat agreed (September 2013) for providing prospective financial support subject to the Company submitting an assessment of operating cost of the canteen services and signing an agreement for the same.

Thus, there was a failure of the Company to take a timely decision to close operations, even when the Company was under no obligation to run the canteen and loss suffered in the operations will not be reimbursed by Government.

The matter was referred to the Government (September 2013), the reply was awaited (February 2014).

4.3 Indraprastha Power Generation Company Limited

4.3.1 Blockade of funds and consequent interest loss leading to undue financial benefit to DISCOMs

The Company, by delaying recovery of advance income tax paid, blocked its funds and suffered interest loss of ₹ 6.42 crore leading to undue financial benefit to DISCOMs

Indraprastha Power Generation Company Limited (Company) generates and sells electricity to power distribution licensees in NCT of Delhi (DISCOMs) viz. BSES Rajdhani Power Limited (BRPL), BSES Yamuna Power Limited (BYPL) and Tata Power Delhi Distribution Limited (TPDDL). The Company is also supplying power to New Delhi Municipal Council (NDMC).

Clause 6.24 and 6.28 of the Delhi Electricity Regulatory Commission (DERC) Generation Tariff Regulations (Regulations) for the period 2007-08 to 2011-12 stipulated that the income tax on the generation business of generating company shall be treated as expense and recovered from its beneficiaries, i.e., DISCOMs (BRPL, BYPL, TPDDL and NDMC). Such recovery shall be done directly by the generating company from the beneficiaries without making any application before the DERC. In case any objection regarding the amount claimed on account of income tax, the beneficiaries were required to make payments to the Company first and then make an appropriate application

before the Commission for its decision. Clause 6.25 of the Regulations further stipulates that any under-recovery or over-recovery of tax on income shall be adjusted every year on the basis of income tax assessment under the Income Tax Act as certified by the Statutory Auditors.

Audit observed that the Company had made payment of advance tax and self-assessment tax of ₹ 107.10 crore in September 2011, December 2011, March 2012 and July 2012 from its own funds on behalf of the beneficiaries. The Company, however, did not raise the claims immediately after payment of said tax against the beneficiaries for recovery. The Company waited for finalization of the accounts for the year 2011-12 and then demanded (October 2012) the income tax of ₹ 107.10 crore for the year 2011-12 from the beneficiaries (BRPL - ₹ 46.06 crore, BYPL - ₹ 30.41 crore, TPDDL - ₹ 30.35 crore and NDMC - ₹ 0.28 crore). TPDDL and NDMC paid the income tax claims while BRPL and BYPL have still not paid the same (February 2014).

Thus, the Company which was dependent on borrowings to meet its working capital requirements extended undue favour to DISCOMs by delaying raising the claims of income tax paid (advance tax and self-assessment tax). This resulted in the blockade of Company's funds amounting to ₹ 107.10 crore for a period ranging from 63 days to 383 days, resulting in loss of interest of ₹ 6.42 crore⁶ to the Company.

The Company replied (November 2013) that the regulations do not prescribe timing of the billing, whether monthly or yearly and income tax claims under the regulation were to be supported by the certification from Statutory Auditors. After finalisation of accounts and tax audit, the certificate of the same was obtained from the Statutory Auditors and bills were forwarded to the DISCOMs without delay. They further stated that DERC clarified (November 2009) that taxes were recoverable on annual basis as and when incurred.

The contention of the Company regarding certification of the accounts from Statutory Auditors was not acceptable because as per the Regulations, the Company could recover income tax paid directly from the beneficiaries and in case of any objection regarding payment the beneficiaries could go for appeal before the Commission, after making payment to the Company. Thus, no certification was required for raising bills for recovery but required to effect recovery of tax from the beneficiaries. Further, the DERC clarification quoted by the Company clearly states that taxes are recoverable as and when the expenses are incurred. Any under-recovery or over-recovery of tax on income shall be adjusted every year on the basis of income tax assessment under the Income Tax Act, 1961. Thus, immediately after making the quarterly payment to Income Tax Department, the Company was required to raise the bills against DISCOMs which was not done.

The matter was referred to the Government (September 2013), their reply was awaited (February 2014).

⁶ Calculated by allowing 10 days from date of payment of income tax by IPGCL to actual date of raising the bill against DISCOMs.

4.4 Delhi SC/ST/OBC/Minorities & Handicapped Financial & Development Corporation Limited

4.4.1 Loss of rent

The Company suffered a loss of rental income of ₹ 55.15 lakh on account of unoccupied space due to not taking timely and judicious decision

The Delhi SC/ST/OBC/ Minorities & Handicapped Financial & Development Corporation Ltd.(Company/ DSCFDC) was incorporated in the year 1983 for the welfare of SC community living below poverty line in NCT of Delhi. The Company office was situated in Old Secretariat Office Building at Rajpur Road which had only two rooms and was in a dilapidated condition.

The Company purchased land from Delhi Development Authority in August 1991 at Rohini, Delhi, the payment for which was made during the period August 1991 to January 1997. The Board of Directors, meanwhile, decided in December 1996 to construct a new office and allied activities complex on the said land. A seven storey building was constructed by PWD and possession was taken over by the Company in January 2002.

The Company occupied the space on ground, first, second and third floor in May 2004. The space on other floors (4th to 7th) was rented out to Government departments/ companies and autonomous bodies.

Audit had observed in 2009 excess utilization of space by the Company. In accepting the audit observations, the Company reassessed the space requirement for its own staff and decided (September 2009) that staff at third floor could be accommodated at first and second floor and the entire area of third floor measuring 8,537 square feet could be rented out.

For renting out the entire space of 8,537 square feet on third floor, the Company issued a circular to all departments of GNCTD in September 2009. In response, the office of the Deputy Commissioner (North/West District) submitted a proposal (November 2009) for taking on rent 6,000 square feet of space, but the Corporation did not consider the offer on the ground that it might be difficult to rent out the balance space and decided (November 2009) that entire floor should be let out in one go.

Subsequently, with the approval of the Hon'ble Minister for the Welfare of SC/ST/OBC cum Chairman, DSCFDC, it was decided (February 2010) that the Company would allot half of the floor on rent to the Registrar of Co-operative Society for establishing Delhi Co-operative Tribunal and the other half to the Department of Law, Justice and Legislative Affairs for establishing the Delhi Dispute Resolution Society (DDRS). The Corporation finally allotted only 1,468.20 square feet to the Department of Law for DDRS in October 2010 and 3,809 square feet to the Department of Revenue in April 2012. The balance space of 3,259.80 square feet on the floor was being used by the Corporation as common utility area.

Audit observed that by not taking timely and judicious decision, the Company had to forgo rental income of ₹ 45.76⁷ lakh for the period from March 2010 to March 2012 on account of rent for the unutilized space. Besides, the Company suffered an additional loss of rental income of ₹ 9.39⁸ lakh from April 2012 to March 2013, as it has been occupying the balance space of 3,259.80 square feet, in excess of its requirement.

Thus, the Company suffered a rental loss of ₹ 55.15 lakh (₹ 45.76 lakh + ₹ 9.39 lakh) due to not taking timely and judicious decision.

The matter was referred to the Department (September 2013), reply was awaited (February 2014).

Statutory Corporations

4.5 Delhi Transport Corporation

4.5.1 Avoidable loss on account of unauthorised occupation

Avoidable loss of ₹ 53.59 crore on account of unauthorized occupation of staff quarters at two staff colonies

Delhi Transport Corporation (DTC) constructed two staff colonies at Hari Nagar and G.T. Karnal Road having a total of 300 quarters. These quarters were allotted to the employees for residential purposes during their employment as per their entitlement.

Out of these 300 quarters, 284 quarters are unauthorisedly occupied as on March 2013 by ex-employees and families of ex-employees who upon their cessation in service were informed about cancellation of allotment and called upon to hand over the vacant possession of the said quarters, which have not been surrendered (March 2013). Due to illegal occupation of staff quarters by ex-employees, the Corporation has incurred an accumulated loss of ₹ 53.59 crore till March 2013. Besides this the recoverable amount on account of electricity, water charges was to the tune of ₹ 28.55 lakh till March 2013.

The DTC workers in the case of Shri M.P. Mathur and others vs. DTC and others filed appeal in the Hon'ble Supreme Court which decided the issue of the ownership right in favour of DTC (24 November 2006). The DTC issued notice to the ex-employees for vacation of quarters/ payment of damages through Estate Officer. The orders of the Estate Officer were challenged in the courts of District Judge but were dismissed. It was, however, observed that after dismissal of appeal of ex-employees against the order of Estate Officer in February 2009 and appointment of eviction officer on April 2010, i.e., after more than one year, no concrete action was taken by DTC to get the eviction and recovery of damages for more than two years from the appointment of eviction officer.

The Transport Department though recommended (April 2011) not to take any coercive measures against the ex-employees, till the Government took a final

⁷ (8537 sq. feet for 9 ½ months + 7068.8 sq. feet for 15 ½ months) x @ ₹24 per sq. feet = ₹45.76 lakh

⁸ 3259.8 sq. feet x 12 months x @ ₹24 per sq. feet = ₹9.39 lakh

call on their eviction. The Council of Ministers of GNCT of Delhi decided vide its decision No. 1898 dated 12.06.2012 that keeping in view the decision of Hon'ble Supreme Court and the need to provide houses to serving government servants, the retired DTC employees should be directed to vacate quarters within two months failing which eviction should be undertaken. DTC has still not been able to get back the possessions of unauthorisedly occupied quarters as on 31 March 2013. This has resulted in avoidable loss of ₹ 53.59 crore, besides, the serving employees have also been deprived of the facility of staff quarters.

The Management in its reply (October 2013) stated that there were no directions for eviction from the Supreme Court. The eviction of the quarters and recovery of the dues required various steps to be taken such as seeking opinion of the contesting Advocate, filing eviction cases in the court of Estate Office, filing recovery case in the court of SDM, computing month-wise recovery of each flat which was a cumbersome process. Further, during the course of eviction proceedings, there were directions from the Transport Department not to go for eviction.

The reply of the Management is not acceptable as the Council of Ministers had already decided (June 2012) on action for eviction.

The matter was referred to the Government (September 2013), their reply was awaited (February 2014).

4.5.2 Loss due to not claiming refund in revised income tax return

DTC suffered a loss of ₹ 34.86 lakh due to not claiming refund of TDS in its income tax returns

Section 197 of the Income Tax Act provides for issue of certificate for exemption or deduction of income tax at source, at lower rate, if the Assessing Officer is satisfied that the issue of certificate is justified in view of total income of the recipient. Further, as per Section 139 (5) of the Income Tax Act, any omission or wrong statement in the income tax return filed with the Income Tax Department, can be corrected by filing a revised return, provided that the revised return is submitted within one year from the end of the Assessment Year or before the completion of the assessment, whichever is earlier.

The Delhi Transport Corporation (DTC) is operating in loss and thus, is not liable to pay any income tax under the Income Tax Act, 1961. Audit noticed (June 2013) that DTC had been receiving concession fee⁹ from M/s Green Delhi Pvt. Ltd. (the company) on account of a contract awarded to the company in July 2007, for rights of display of advertisements on DTC's Bus Queue Shelters (BQSS). Though, the company was deducting tax at source (TDS) before making payments to DTC as required under the provisions of the Income Tax Act, DTC could get the exemption certificate under Section 197 of the Income Tax Act, issued by the Income Tax Department to M/s Green Delhi Pvt. Ltd., only on 8 May 2008 permitting it not to deduct income tax from amount payable to DTC. However, by then, the company had

⁹Fee charged by DTC in lieu of rights granted to private firms for advertisements on BQSSs.

already deducted ₹ 35.23 lakh as TDS (upto 8 May 2008), from the payments made to DTC during the period 25 March 2008 to 16 April 2008.

Audit scrutiny of records further revealed that DTC did not claim the amount of TDS (already deducted by the company) in its Income Tax Returns filed for the Assessment Years 2008-09 and 2009-10. The DTC did not even file revised returns for these Assessment Years to claim refund of ₹ 34.86 lakh¹⁰, for which last dates were 31 March 2010 and 31 March 2011 respectively.

Though DTC made correspondence with the Income Tax Department for getting refund of ₹ 34.86 lakh, it did not yield any result as it had not filed revised returns within prescribed time limit.

Management stated (February 2014) that they have decided to take up the matter under Section 119 (2) (b) of the Income Tax Act and claim refund and as such DTC per se did not suffer any loss of ₹ 34.86 lakh. The reply is not convincing as DTC did not take up the matter for refund of TDS deducted for two years and mere filing of appeal will not be a guarantee of refund. However, even in the case, the appeal filed by DTC is accepted, it has already lost an amount of ₹ 14.74 lakh¹¹ towards interest till February 2014 on the amount blocked with the IT Department.

The matter was referred to the Government (October 2013), their reply was awaited (February 2014).

New Delhi
The 30 June 2014



(DOLLY CHAKRABARTY)
Principal Accountant General (Audit), Delhi

Countersigned

New Delhi
The 1 July 2014



(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

¹⁰ Out of ₹ 35.23 lakh, a refund of ₹ 36,600 was received on 13 April 2011.

¹¹ Calculated from May 2008 to February 2014 on ₹ 34.86 lakh at the rate of interest of 7.25 per cent per annum.