PART 'B'

Public Sector Undertakings

Chapter-II

Public Sector Undertakings

Chapter - II

Public Sector Undertakings

2.1 Functioning of State Public Sector Undertakings

2.1.1 Introduction

The State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature and occupy an important place in the State's economy. As on 31 March 2017, there were 17 PSUs, all working, in NCT of Delhi. Of these, no company was listed on the stock exchange(s). During the year 2016-17, no PSU was incorporated or closed down. The details of the State PSUs in NCT of Delhi as on 31 March 2017 are given in **Table 2.1.1**.

Table 2.1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Total
Government Companies	15	15
Statutory Corporations	2	2
Total	**17**	**17**

The working PSUs registered a turnover of ₹ 7,718.33 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 1.24 *per cent* of State's Gross Domestic Product (GDP) for 2016-17. The working PSUs incurred loss of ₹ 2,520.95 crore as per their latest finalised accounts as of 30 September 2017. They had 0.36 lakh employees as at the end of March 2017.

2.1.2 Accountability framework

Audit of Government Companies is governed by Section 143(6) of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s) and includes a subsidiary company of a Government company. Further, as per Section 143(7) of the Act, in case of any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments, the Comptroller and Auditor General of India (CAG), may, by an order, cause test audit to be conducted of the accounts of such Company and provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to such test audit. Audit of the financial statements in respect of the financial years that commenced earlier than 1 April 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

2.1.3 Statutory Audit

The financial statements of Government companies (as defined in Section 2(45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Companies Act, 2013. As per provisions of Section 143(6) of the Act, *ibid*, these financial statements are also subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the audit report under Section 143(5).

Audit of Statutory Corporations, is governed by their respective legislations. CAG is the sole auditor for Delhi Transport Corporation. Audit of Delhi Financial Corporation is conducted by chartered accountants appointed under the State Financial Corporations Act, 1951 and supplementary audit by CAG.

2.1.4 Role of Government and Legislature

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

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

2.1.5 Stake of Government of NCT of Delhi

The GNCTD has substantial financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans**: In addition to the Share Capital contribution, GNCTD also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support:** GNCTD provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees:** GNCTD also guarantee the repayment of loans with interest availed by the PSUs from Financial Institutions.

2.1.6 Investment in State PSUs

As on 31 March 2017, the investment (paid up capital, free reserves and long-term loans) in 17 PSUs was ₹ 30,433.81 crore as depicted in **Table 2.1.2**.

Table 2.1.2: Investment in PSUs

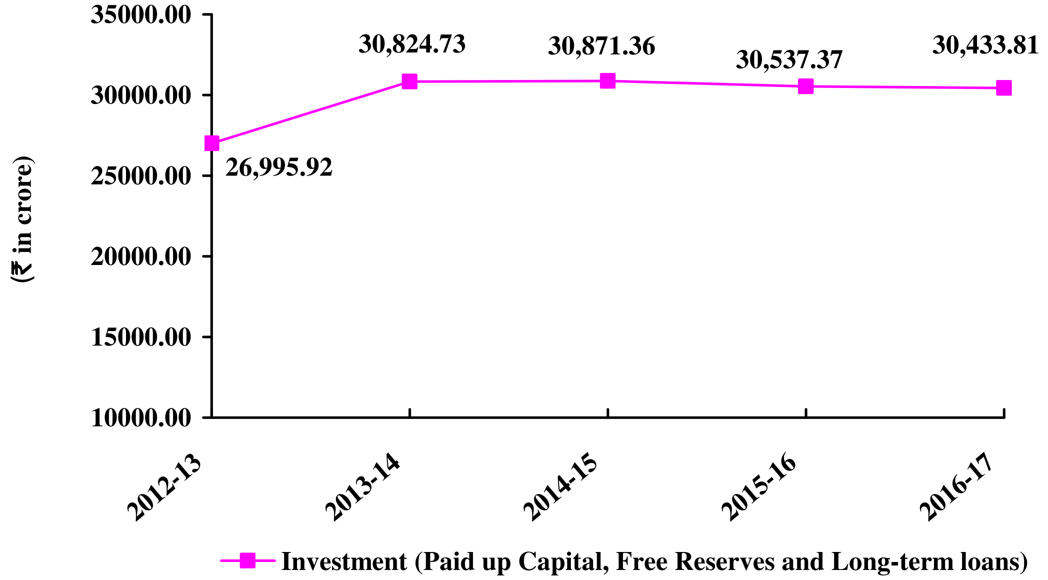
(₹ in crore)

Type of PSUs	Government Companies				Statutory Corporations				Grand Total
	Paid up Capital	Long Term Loans	Free Reserves	Total	Paid up Capital	Long Term Loans	Free Reserves	Total	
Working PSUs	7,588.43	5,897.97	3207.38	16,693.78	2,010.27	11,723.14	6.62	13,740.03	30,433.81

Source: Information collected from PSUs and from annual accounts.

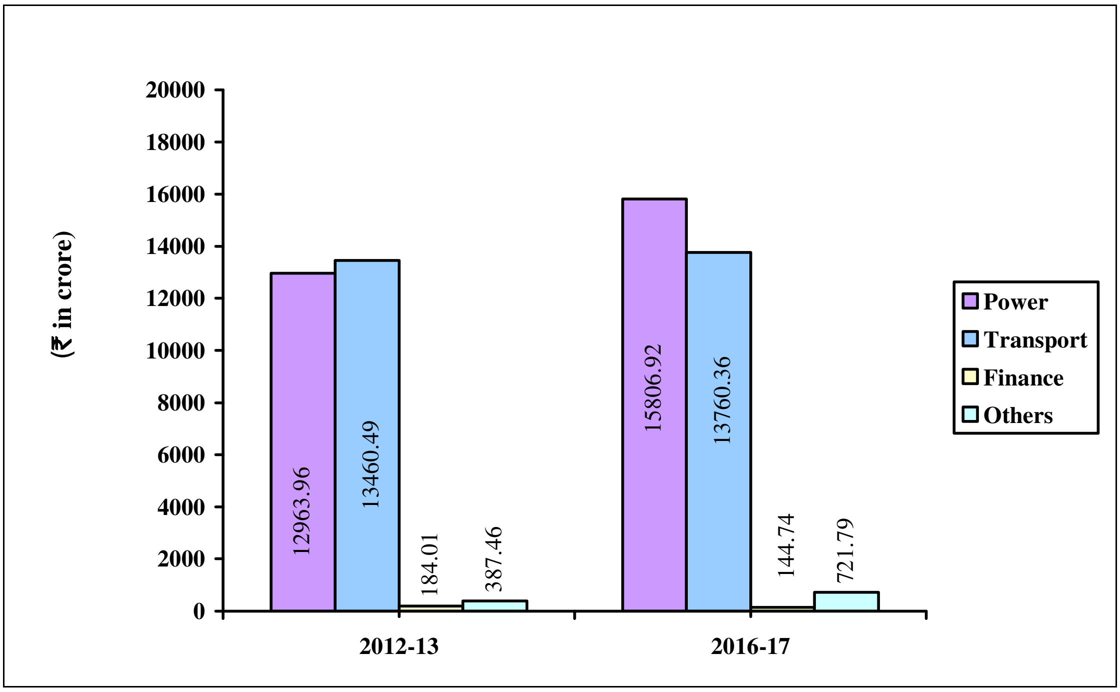
As on 31 March 2017, total investment consisted of 31.54 *per cent* towards paid up capital, 10.56 *per cent* in free reserves and 57.90 *per cent* in long-term loans. The investment has increased by 12.73 *per cent* from ₹ 26,995.92 crore in 2012-13 to ₹ 30,433.81 crore in 2016-17 as shown in **chart 2.1.1**.

Chart 2.1.1: Total investment in PSUs



The investment in four significant sectors at the end of 31 March 2013 and 31 March 2017 are indicated in **chart 2.1.2**.

Chart 2.1.2: Sector wise investment in PSUs



It is observed that the investment in power sector[1] increased from ₹ 12,963.96 crore in 2012-13 to ₹ 15,806.92 crore in 2016-17 and in transport sector[2] it increased from ₹ 13,460.49 crore in 2012-13 to ₹ 13,760.36 crore in 2016-17.

2.1.7 Special support and returns during the year

The GNCTD provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity share capital, loans and grants/ subsidies in respect of State PSUs are given in **Table 2.1.3** for the three years ended 2016-17.

Table 2.1.3: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Share Capital outgo from budget	-	-	-	-	-	-
2.	Loans given from budget	2	200.00	3	565.00	3	469.98
3.	Grants/Subsidy from budget	6	1,603.35	4	1,339.41	5	1,744.77
	Total Outgo (1+2+3)		**1,803.35**		**1,904.41**		**2,214.75**

Source: Information collected from PSUs

[1] DPCL, DTL, IPGCL, PPCL and DSIIDC Energy Limited

[2] Delhi Transport and Infrastructure Development Corporation Limited and Delhi Transport Corporation.

2.1.8 Reconciliation with Finance Accounts

The figures in respect of share capital and loans outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 is given in **Table 2.1.4**.

Table 2.1.4: Share capital and loans outstanding as per finance accounts *vis-a- vis* records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs*	Difference
Share capital[3]	9,297.92	9,197.64	100.28
Loans[4]	18,084.93	15,612.23	2,472.70

**Source: Information collected from PSUs*

Audit observed that the differences occurred in respect of eight[5] PSUs. Non-reconciliation of the figures lead to correct governmental expenditure being not available for legislative purview and other users. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

2.1.9 Arrears in finalisation of accounts

The financial statements of companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by September end, in accordance with Section 96(1) read with Section 129(2) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act *ibid*. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 2.1.5 provides the details of progress made by PSUs in finalisation of accounts as of 30 September 2017.

[3] Share capital figure consists of the share of State Government only.
[4] Figures of Loan were taken from the records of companies and matched with the information sourced from PAOs.
[5] DSCFDC, PPCL and DTIDC for equity figures and DSCFDC, PPCL, DTIDC, DTL, IPGCL, DPCL, DSCSC and DTTDC for loan figures.

Table 2.1.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working PSUs	17	17	17	17	17
2.	Number of accounts finalised during the year	21	15	9	12	15
3.	Number of accounts in arrears	12	14	22	27	29
4.	Number of working PSUs with arrears in accounts	3	4	11	14	15
5.	Extent of arrears (numbers in years)	1 to 9	1 to 10	1 to 11	1 to 12	1 to 13

PSUs having arrears of accounts need to take effective measures for early clearance of backlog and to make the accounts up-to-date. The PSUs should also ensure that at least one year's accounts are finalised so as to restrict further accumulation of arrears.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the Finance Department was informed monthly by the Audit, of the arrears in finalisation of accounts, adequate remedial measures were not taken. As a result, the net worth of these PSUs could not be assessed in audit. The matter was also taken up with the Chief Secretary, Government of NCT of Delhi in November 2017.

The GNCTD had invested ₹ 2,373.31 crore in seven PSUs {share capital: ₹ 19.28 crore (one PSU), loans: ₹ 522.47 crore (four PSUs) and grants/ subsidy ₹ 1,831.56 crore (six PSUs)} during the years for which accounts have not been finalised as detailed in **Annexure 2.1(i)**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and whether the purpose for which the amount was invested was achieved or not. Thus, Government's investment in such PSUs remained outside the control of State Legislature.

2.1.10 Placement of Separate Audit Reports

Table 2.1.6 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature.

Table 2.1.6: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Delhi Transport Corporation	2014-15	2015-16	17.05.2017
2.	Delhi Financial Corporation	2014-15	2015-16	15.11.2016

2.1.11 Impact of non-finalisation of accounts

Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the contribution of PSUs to the State GDP for the year 2016-17 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

2.1.12 Performance of PSUs as per their latest finalised accounts

The financial position and working results of Government companies and Statutory Corporations are detailed in **Annexure 2.1(ii)**. The ratio of PSU turnover to State GDP shows the extent of PSUs activities in the State economy. **Table 2.1.7** provides the details of turnover of working PSUs and State GDP for the period of five years ending 2016-17.

Table 2.1.7: Details of working PSUs turnover *vis-a-vis* State GDP

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover[6]	8,465.57	8,415.09	8,210.02	8,597.77	7,718.33
State GDP*	3,91,238	4,43,783	4,92,424	5,51,963	6,22,385
Percentage of Turnover to State GDP	2.16	1.90	1.67	1.56	1.24

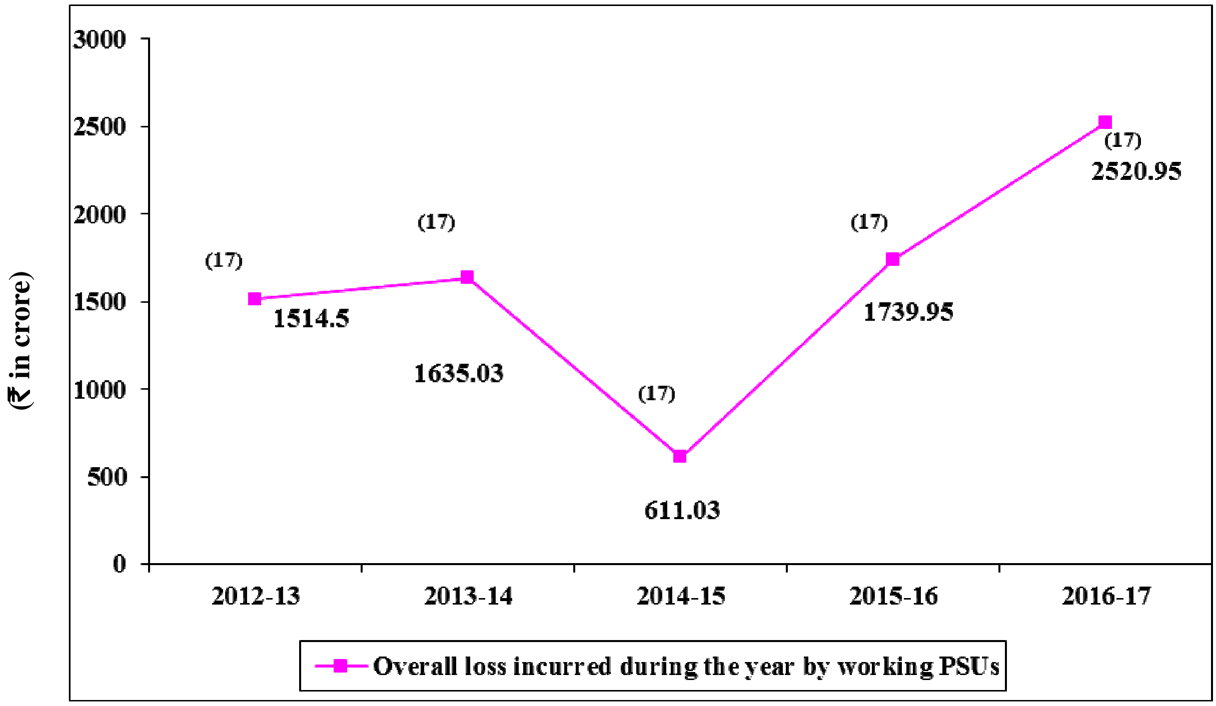
(Source: Information collected from PSUs and State GDP Data)

It is observed that the turnover of State PSUs to the State GDP in percentage terms decreased from 2.16 *per cent* in 2012-13 to 1.24 *per cent* in 2016-17.

Overall losses incurred by State working PSUs during 2012-13 to 2016-17 are given in a **chart 2.1.3**.

6 Turnover as per the latest finalised accounts as of 30 September .
*State GDP figures are based on current prices of base year 2011-12.

Chart 2.1.3: Loss of working PSUs



(Figures in brackets show the number of working PSUs in respective years)

It is observed that the overall losses suffered by the PSUs increased from ₹ 1,514.50 crore in 2012-13 to ₹ 2,520.95 crore in 2016-17.

The summarized financial results of Government companies and Statutory Corporations for the latest year for which accounts were finalized are given in **Annexure 2.1(ii)**. During the period from 01 October 2016 to 30 September 2017, out of 17 working PSUs, one working PSU[7] prepared its accounts on a 'no profit no loss' basis, ten PSUs earned profit of ₹ 967.60 crore and six PSUs incurred loss of ₹ 3,488.55 crore as depicted in **Table 2.1.8 (a)** and **(b)**.

Table 2.1.8 (a): Details of working PSUs registering profit

(₹ in crore)

Name of the Company	Period of accounts	Year in which accounts finalised	Net profit
Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited	2003-04	2013-14	5.57
Delhi State Industrial & Infrastructure Development Corporation Limited	2015-16	2016-17	38.46
Delhi Power Company Limited	2015-16	2016-17	81.91
Delhi Transco Limited	2015-16	2016-17	545.31
Pragati Power Corporation Limited	2015-16	2016-17	250.75
Delhi State Civil Supplies Corporation Limited	2015-16	2016-17	8.49

[7] Shahjahanabad Redevelopment Corporation Ltd.

Delhi Tourism and Transportation Development Corporation Limited	2015-16	2016-17	2.48
Geospatial Delhi Limited	2015-16	2016-17	4.77
Delhi Transport and Infrastructure Development Corporation Limited	2013-14	2016-17	28.16
Delhi Financial Corporation	2015-16	2016-17	1.70
Total			**967.60**

Table 2.1.8 (b): Details of working PSUs registering loss

(₹ in crore)

Name of the Company	Period of accounts	Year in which accounts finalised	Net loss
Indraprastha Power Generation Company Limited	2015-16	2016-17	77.45
DSIIDC Energy Limited	2016-17	2017-18	0.00[8]
Delhi Creative Arts Limited	2015-16	2016-17	0.00[9]
DSIIDC Liquor Limited	2015-16	2016-17	0.00[10]
DSIIDC Maintenance Services Limited	2016-17	2017-18	0.00[11]
Delhi Transport Corporation	2015-16	2017-18	3,411.10
Total			**3,488.55**

- The major contributors to profit were Delhi Transco Limited (₹ 545.31 crore), Pragati Power Corporation Limited (₹ 250.75 crore), Delhi Power Company Limited (₹ 81.91 crore) and Delhi State Industrial and Infrastructure Development Corporation Limited (₹ 38.46 crore).
- Losses were incurred by Delhi Transport Corporation (₹ 3,411.10 crore) and Indraprastha Power Generation Company Limited (₹ 77.45 crore).

Some other key parameters of PSUs are given in **Table 2.1.9**.

[8] ₹ 17,410
[9] ₹ 29,500
[10] ₹ 29,500
[11] ₹ 28,750

Table 2.1.9: Key Parameters of State PSUs

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Equity	-8,263.37	-9,614.56	-10,964.73	-13,043.99	-15,873.47
Investment	26,995.92	30,824.73	30,871.36	30,537.37	30,433.81
Net Profit before Tax, Interest and Dividend	965.65	1,167.13	2,636.33	1,796.98	1,489.39
Net profit after tax and preference dividend	-1,775.79	-2,034.72	-942.44	-2,049.74	-2,867.88
Return on Investment[12]	0.04	0.04	0.09	0.06	0.05
Return on Equity[13]	Not measurable as Equity in all the year's is negative.				
Debt	16,554.03	18,776.68	18,809.72	17,789.86	17,621.11
Turnover[14]	8,465.57	8,415.09	8,210.02	8597.77	7718.33
Debt/ Turnover Ratio	1.96:1	2.23:1	2.29:1	2.07:1	2.28:1
Interest Payments	2,478.64	2,801.25	3,243.56	3,537.25	4,010.34
Accumulated Profits (losses)	(16,907.61)	(19,211.44)	(20,561.61)	(22,642.63)	(25,470.56)

Source: As per latest finalised Annual Accounts of PSUs

As per their latest finalised accounts, 10 PSUs earned an aggregate profit of ₹ 967.60 crore and one PSU namely Delhi State Civil Supplies Corporation Limited declared a dividend of ₹ 0.50 crore. The remaining nine PSUs did not declare dividend despite earning profit of ₹ 959.11 crore.

2.1.13 Accounts Comments

Fourteen working companies forwarded their 19 audited accounts to Accountant General during the period from October 2016 to September 2017. Out of these, 15 accounts of 14 companies were selected for supplementary audit and four accounts were selected for issue of Non review certificate. Out of these, twelve accounts (ten[15] PSUs) were finalised and remaining seven[16] accounts were under finalization as on 30 September 2017. Ten accounts of ten companies, which were under finalisation as of 30 September 2016 were also finalised during the above period. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given in **Table 2.1.10**.

[12] Return on Investment = Profit before dividend, tax and Interest/ Investment where Investment = Paid up Capital + Free Reserves + Long term loans

[13] Return on Equity = (Net Profit after tax and Preference dividend) / Equity where Equity = Paid up capital + Free Reserves and Surplus minus Accumulated Losses minus Deferred Revenue Expenditure

[14] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2017

[15] DTL, IPGCL, PPCL, DSCSC, DPCL, DSIIDC, DSIIDC Maintenance Services Limited, Delhi Creative Arts Limited, DSIIDC Energy Limited, DSIIDC Liquor Limited for the year 2015-16 and DSIIDC Maintenance Services Limited and DSIIDC Energy Limited for the year 2016-17.

[16] GSDL, SRDC, DTTDC, DSIIDC, DSIIDC Liquor Limited and Delhi Creative Arts Limited for the year 2016-17 and DTIDC (2014-15).

Table 2.1.10: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17[17]	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	6	359.42	6	716.74
2.	Increase in profit	2	0.25	3	339.47	2	433.77
3.	Decrease in loss	-	-	-	-	2	230.00
4.	Increase in loss	1	2.59	-	-	1	91.04
5.	Non-disclosure of material facts	1	3.15	1	57.43	4	153.54
6.	Errors of classification	1	3.54	2	31.36	-	-

- During the year, the Statutory Auditors had given unqualified certificates for six accounts[18], qualified certificates for twelve accounts[19] and adverse certificate (i.e., accounts do not reflect a true and fair position) for one account[20].
- Qualifications by statutory auditors had the effect of decreasing the reported profit (₹ 81.91 crore) of DPCL by ₹ 690.02 crore for the year 2015-16. Qualifications by the CAG had the effect of increasing the reported loss (₹ 77.45 crore) of Indraprastha Power Generation Company Limited for the year 2015-16 by ₹ 91.04 crore.
- The compliance of companies with the accounting standards remain poor. There were 15 instances of non-compliance in six accounts.

Similarly, two Statutory Corporations forwarded their two accounts for audit during the period from October 2016 to September 2017. Of these, one account of Delhi Transport Corporation pertained to sole audit by CAG which was completed and SAR was issued for the year 2015-16. Remaining one account of Delhi Financial Corporation for the year 2016-17 was selected for supplementary audit which was under finalization as on 30 September 2017. The Audit Reports of Statutory Auditors and the sole/ supplementary audit of CAG indicated the need to improve the quality of maintenance of accounts. The details of aggregate money value of comments of statutory auditors and CAG on the accounts audited during the last three years are given in **Table 2.1.11**.

[17] Impact of accounts comments for DTIDC is for the year 2013-14.
[18] DSCSC, DCAL, DSIIDC Liquor Limited (2015-16) and DTTDC, GSDL, SRDC (2016-17)
[19] DPCL, DTL, IPGCL, PPCL, DSIIDC, DSIIDC Maintenance Services Limited, DSIIDC Energy Limited (2015-16) and DSIIDC Maintenance Services Limited, DSIIDC Energy Limited, Delhi creative Arts Limited, DSIIDC Liquor Limited and DSIIDC (2016-17)
[20] DTIDC (2013-14)

Table 2.1.11: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17[21]	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	0.16	1	3.79
2.	Increase in profit	-	-	-	-	-	-
3.	Decrease in loss	1	24.56	-	-	1	15.10
4.	Increase in loss	1	2,695.74	1	1,978.50	1	2,389.34
5.	Non-disclosure of material facts	-	-	1	964.04	2	127.94
6.	Errors of classification	-	-	-	-	1	25.24

2.1.14 Response of the Government to Audit

For the Report of the Comptroller and Auditor General of India (CAG) for the year ended 31 March 2017, one Performance Audit (PA) and eight compliance audit paragraphs (including one follow up audit) were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of the performance audit and six compliance audit paragraphs were awaited from the State Government (January 2018).

2.1.15 Follow up action on Audit Reports

The Public Accounts Committee (PAC) stipulates that after presentation of the Report of the CAG of India in the Legislative Assembly, Departments shall initiate action on the audit paragraphs and the Action Taken Notes (ATNs) thereon should be submitted by the Government within four months of tabling the Report, for consideration of the Committee. However, Action Taken Notes were not received in 20 percent of the performance audits and 33 *per cent* of the audit paragraphs as on 30 September 2017 as depicted in **Table 2.1.12**.

[21] The impact of accounts comments for DTC and DFC is for the year 2015-16.

Table 2.1.12: Action Taken Notes not received as on 30 September 2017

Period of Audit Report	Date of placement of Audit Report in the State Legislature	Number of reviews/ paragraphs			
		Appeared in Audit Report		Pending ATNs	
		PAs	Paragraphs	PAs	Paragraphs
2012	02.04.2013	1	3	1	Nil
2013	01.08.2014 (In Parliament)	1	7	Nil	Nil
2014	30.06.2015	1	2	Nil	2
2015	13.06.2016	1	6	Nil	3
2016	10.03.2017	1	6	Nil	3
Total		**5**	**24**	**1**	**8**

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

The status as on 30 September 2017 of PAs and paragraphs that appeared in Audit Reports (PSUs) and discussed by the COGU was as given in **Table 2.1.13**.

Table 2.1.13: Reviews/paras appeared in Audit Reports and discussed as on 30 September 2017

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012	1	3	Nil	Nil
2013	1	7	1	3
2014	1	2	1	Nil
2015	1	6	Nil	Nil
2016	1	6	Nil	Nil
Total	**5**	**24**	**2**	**3**

2.1.17 Disinvestment, Restructuring and Privatisation of PSUs

The State Government had not undertaken the exercise of disinvestment, privatisation or restructuring of any of the State PSUs during 2016-17.

2.1.18 Coverage of the Chapter

This chapter contains eight paragraphs (including one follow up audit on performance audit of Delhi Transco Limited) and one performance audit on the 'Working of Delhi Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities and Handicapped Financial and Development Corporation Limited' involving financial implications of ₹ 102.38 crore.

Department for the Welfare of SC/ST/OBC/Minorities

2.2 Working of Delhi Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities and Handicapped Financial and Development Corporation Limited.

Delhi Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities and Handicapped Financial and Development Corporation Limited is a State owned Company of the Government of National Capital Territory of Delhi (GNCTD) to finance, facilitate and promote the economic activities for all round development and economic upliftment of the members of Scheduled Castes/ Scheduled Tribes/ Other Backward Classes/ Minorities/ Safai Karamcharis and Handicapped persons who are living below the poverty line in National Capital Territory of Delhi through formulation of economic development schemes and mobilization of institutional credits while functioning as a promoter and catalyst. Some of the significant audit findings are summarised below:

Highlights

The Company neither conducted any survey for identification of targeted groups nor maintained any database of intended beneficiaries.

(Paragraph 2.2.2)

The Company has not been finalising its Financial Statements on regular basis. Financial Statements for the year 2004-05 and subsequent years have not been audited.

(Paragraph 2.2.3.1)

Percentage of disbursement of loan which was 45.41 *per cent* of total available funds in 2012-13 declined to 12.90 *per cent* in 2016-17.

(Paragraph 2.2.3.2)

There were significant shortfalls in achieving physical target of lending activities of the Company. The achievements ranged between one and 61 *per cent* of the targets under various schemes during the period 2012-17.

(Paragraph 2.2.4.1)

There were deficiencies in extending financial assistance with significant delays in disbursement of loans.

(Paragraph 2.2.4.4)

The system for follow up of the recovery from the beneficiaries was unsatisfactory as the total recovery made during the year 2016-17 was only 11 *per cent*. There was non-recovery of ₹ 23.77 crore as on 31 March 2017, from the beneficiaries in respect of overdue cases.

(Paragraph 2.2.5)

The recovery process in as many as 3,533 cases out of 5,192 cases , who had not been issued no objection certificates, was not initiated.

(Paragraph 2.2.5.2)

The grievances redressal mechanism was inadequate and the internal control system was weak and ineffective.

(Paragraph 2.2.7)

2.2.1 Introduction

Delhi Scheduled Castes Financial and Development Corporation Limited was established in 1983 under Companies Act, 1956 and renamed Delhi Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities and Handicapped Financial and Development Corporation Limited (Company). The Company was set up to assist the members of Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minorities and Handicapped who are living below the poverty line in National Capital Territory of Delhi (NCTD) by financing and mobilising institutional credits; facilitating and promoting the economic activities; imparting training to youths in various income generating and job oriented courses and functioning as a promoter and catalyst for their all-round development and economic upliftment.

The Company has been designated as State Channelising Agency (SCA) to implement the schemes financed by National Apex Corporations viz. National Scheduled Castes Finance and Development Corporation (NSFDC), National Scheduled Tribes Finance and Development Corporation (NSTFDC), National Backward Classes Finance and Development Corporation (NBCFDC), National Minorities Development and Finance Corporation (NMDFC), National Safai Karamcharis Finance and Development Corporation (NSKFDC) and National Handicapped Finance and Development Corporation (NHFDC).

For implementing the schemes, the Company receives funds from Apex Corporations which carry interest at the rate of three *per cent* per annum. The Company charges interest at the rate of six *per cent* from the beneficiaries. This generates income for the Company to the extent of three *per cent* on its lending activities. Besides, the Company also earns income from interest on funds deposited with banks and renting space in its office building.

2.2.1.1 Organisational set-up

The management of the Company is vested in the Board of Directors (BoDs) comprising 12 Directors with Chairman-cum- Managing Director (CMD) as the Chief Executive of the Company. Apart from the CMD, the BoDs consists of two nominated members each from the GNCTD and Government of India, one member each from NHFDC, NMDFC and NBCFDC and four eminent persons from the group of targeted beneficiaries. The Minister of the Department for the Welfare of SC/ST/OBC/Minorities, GNCTD is the Chairman, and Principal Secretary/ Secretary (SC/ST/OBC/Minorities Department) and Special Secretary (Finance Department) represent the GNCTD.

2.2.1.2 Audit Objectives

The audit objectives of this performance audit were to assess whether:

(i) the Company had planned, formulated and implemented the designated financial assistance schemes effectively, economically and efficiently and

(ii) there was an effective oversight and monitoring system over selection, sanction, release and recovery of credits extended to the targeted beneficiaries.

2.2.1.3 Audit Scope and Methodology

This Performance Audit was conducted during April 2017 to September 2017 covering the activities of the Company during the five year period from April 2012 to March 2017. During this period, the Company disbursed 89, 72, 173, 501 and 2 loans under the Education Loan Scheme, Transport Loan, Dilli Swarojgar Yojna, Composite Loan and Big Loan Schemes respectively, of which Audit selected 23, 22, 25, 60 and 2 loan cases respectively, covering 16 *per cent* of total numbers of loans disbursed during this period. The records of the Company's head office and three zonal offices, were examined.

An entry conference was held (May 2017) with the Company to discuss audit methodology, scope, objectives and criteria for the performance audit. The audit findings were reported (September 2017) to the Management and exit conference was held (September 2017) which was attended by the Executive Director along with the officers of the Company. The replies of the Company dated 30 January 2018 have been suitably incorporated in this report.

2.2.1.4 Audit criteria

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

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

(ii) Policy/Framework/Criteria/guidelines laid down by the State/Central Government/National Apex Corporations;

(iii) Procedures of the Company for sanction, disbursement, recovery and monitoring of loans; and

(iv) Office records/orders/circular/instructions issued by the Company.

Audit findings

2.2.2 Inadequate Planning

There were inadequacies in planning. The Company prepared a Memorandum of Understanding (MoU) indicating its objectives for each financial year and submitted them to the Administrative Ministry but the same could not be executed. The proposed MoU were received back from the Administrative Ministry after the particular financial year was over. As a result, the MoU could not be executed.

The Company also prepared its annual plans as well as a five year plan (2012-17) though there were significant shortfalls in achieving target of lending activities ranging between 38.80 and 99.04 *per cent,* under various schemes during the period of 2012-17. This shows that implementation of the welfare schemes was poor, thereby depriving the targeted beneficiaries of intended benefits as discussed in the performance audit.

Further, the Company needed to profile the population of the target groups living in the GNCTD plan and fix progressive targets for disbursing the assistance under the stated schemes and prepare an action plan for effective implementation of the said schemes. Identification of beneficiaries was crucial given that the development schemes were targeted to the downtrodden strata of the society, having a greater risk of exclusion owing to their lack of awareness. This called for maintenance of reliable database of SC/ST/OBC/ Minorities/Handicapped population through suitable survey, which would provide a base for planning and extending financial assistance and to cover the entire targeted population in a phased manner. The Company however did not conduct any survey to identify the target groups and for identification of viable professions and trades to which loans can be given. It also did not maintain any database of intended beneficiaries.

The Company while accepting the facts stated that targets could not be achieved mainly due to implementation of model code of conduct during elections between 2013 and 2015, non-availability of sanctioning authority for more than a year, time taken in making amendments in Delhi Swarojgar Yojna. The reply is not acceptable as the Company should have taken more proactive efforts to manage these issues. Moreover, the Company could not achieve its physical targets of disbursement of loans in all five years covered in audit.

2.2.3 Financial Management

2.2.3.1 Arrears in finalisation of Annual Accounts

The Company has finalised its financial statements only upto the year 2003-04. In absence of the audited Financial Statements for the periods 2004-05 and thereafter, adequacy and effectiveness of the financial controls and accountal of the receipts, expenditure, assets and liabilities including investments and utilisation of funds for stated purpose could not be vouch-safed. The Company had fixed assets of ₹ 5.20 crore as per unaudited accounts on 31 March 2011 but it did not maintain the fixed assets register nor had conducted any physical verification of its assets since inception.

The Company while confirming the facts stated that accounts could not be finalised due to non-availability of qualified officials. They added that accounts for the year 2015-16 has now been finalised and that fixed assets register as per Company Act is under preparation and the physical verification would be carried out very soon. The reply of the Management could not be verified in the absence of any records to support the averments. Audit, however, observed that the accounts for the year 2004-05 and 2005-06 have been audited by the statutory auditors as of 30 January 2018.

2.2.3.2 Receipts and Disbursements

The Company gives loans to eligible beneficiaries under various schemes as enumerated below:

Composite Loan Scheme: Under this scheme, loan assistance ranging from ₹ 50,000 to ₹ Two lakh only for members of Scheduled Castes, Other Backward Classes, Minorities, Safai Karamcharis and Physically Handicapped is sanctioned and disbursed for any income generating activity in various trades approved by the Municipal Corporations of Delhi (MCD), such as vegetable/fruit/flower shop, bakery items, kiryana/general store, dairy products/Photostat/cyber café, chemist shop, pan shop, tailoring shop, atta chakki, laundry etc.

Transport Loan Scheme: Under this scheme, the Company provides loans for approved commercial vehicles. The value of loan disbursed depend amount the cost of the vehicle. This target category are members of Scheduled Castes, Other Backward Classes, Minorities, Safai Karamcharies and Physically Handicapped.

Education Loan Scheme: Under the scheme, the Company provides loans to students of target groups for pursuing professional and technical courses. The Company advances loan to a maximum of ₹ 7.50 lakhs, if studying in India and up to ₹ 15.00 lakh, if studying abroad.

Big Loan Scheme: The loan under this category is provided for setting up of economic activities in small scale (for project costing upto ₹ five lakh). The loan under this category is provided in agriculture and allied sector, traditional occupations and small and tiny industries.

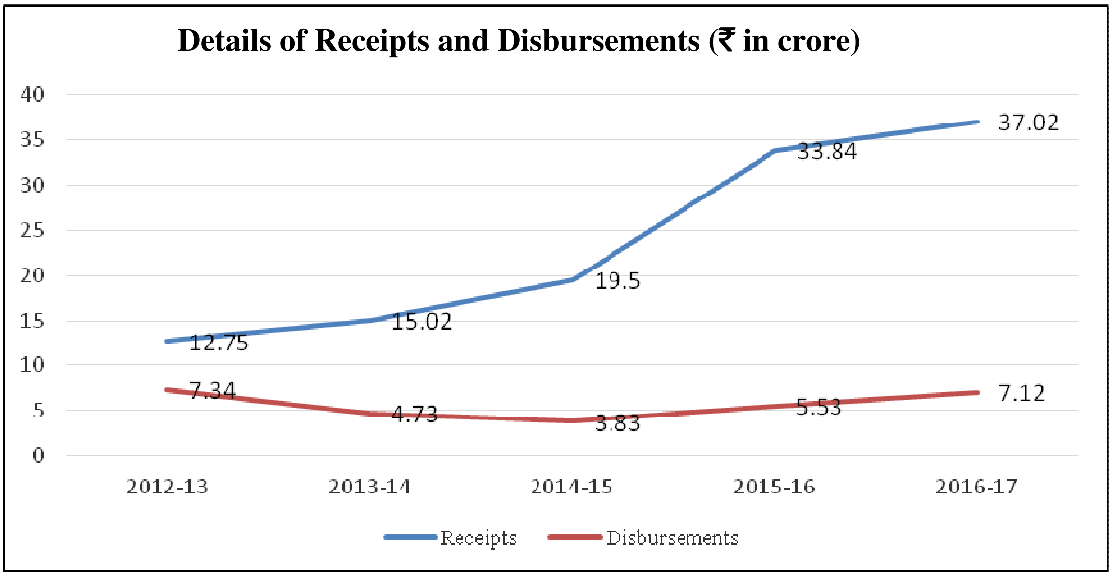
Dilli Swarojgar Yojna: Under this scheme, loans up to ₹ five lakh for Scheduled Castes, Other Backward Classes, Minorities, Safai Karamcharis and Physically Handicapped is sanctioned and disbursed for any income generating activity in various trades approved by the MCD. The scheme is to be run out of the interest income received by the Company against the corpus of ₹ 50 crore received from GNCTD.

The year-wise position of receipts consisting of funds received from Apex Corporations[22] and loan recoveries and the Company's disbursements under various schemes is shown in **Table-2.2.1**.

Table 2.2.1: Details of Receipts and Disbursements

(Amount ₹ in lakh)

	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Receipts	Opening Balance	161.31	541.62	1029.04	1567.30	2831.25
	Composite Loan Scheme	209.75	8.50	0.00	1080.00	110.00
	Transport Loan Scheme	323.30	0.00	0.00	0.00	54.36
	Education Loan Scheme	0.00	9.25	16.53	4.65	1.65
	Big Loan Scheme	0.00	0.00	0.00	4.00	3.90
	Dilli Swarojgar Yojna	200.96	455.00	450.00	388.56	397.25
	Recoveries	379.89	487.48	454.24	339.65	303.37
Total Receipts		1275.21	1501.85	1949.81	3384.16	3701.78
Disbursements	Composite Loan Scheme	173.70	67.70	20.70	45.55	238.92
	Transport Loan Scheme	221.98	3.48	0.00	0.00	15.73
	Education Loan Scheme	10.87	40.45	29.74	36.93	18.69
	Big Loan Scheme	0.00	0.00	0.00	4.00	0.00
	Dilli Swarojgar Yojna	0.00	4.50	41.10	173.45	165.02
	Repayment/ Refund to Apex	327.04	356.68	290.97	292.98	273.74
Total Disbursements		733.59	472.81	382.51	552.91	712.10
Closing Balances		541.62	1029.04	1567.30	2831.25	2989.68
% of Disbursement to funds available for disbursement		45.41	11.45	6.12	8.54	12.90



From the above Table read with Line Diagram, it could be seen that:

(a) There were sufficient funds for disbursal of loans and they were accumulating year after year. Total funds drawn from all Apex

[22] NSFDC, NSTFDC, NBCFDC, NMDFC, NSKFDC and NHFDC.

Corporations/GNCTD during 2012-17 was ₹ 37.18 crore against which the Company could disburse only ₹ 13.13 crore during the same period. Year-end balances increased from ₹ 5.42 crore in 2012-13 to ₹ 29.90 crore in 2016-17. Percentage of disbursement of loan which was 45.41 *per cent* in 2012-13 declined to 12.90 *per cent* in 2016-17.

It was further observed that instead of finding eligible beneficiaries to disburse the concessional loans, the Company placed the surplus funds in banks and earned interest. The Company earned ₹ 35.53 crore as interest from funds deposited with banks constituting 91 *per cent* of its total income.

(b) During 2012-17, ₹ 3.78 crore were received under scheme for 'Transport Loan' out of which ₹ 1.36 crore was not utilised. There was no disbursement during 2014-16.

(c) During the period 2012-17, ₹ 18.92 crore were received by the Company under Dilli Swarojgar Yojna, out of which ₹ 3.84 crore could only be disbursed.

(d) During 2012-17, ₹ 14.08 crore were received by the Company under Composite Loan Schemes, out of which only ₹ 5.46 crore could be disbursed.

Significantly low disbursal of loans to the beneficiaries could be attributed to non-profiling of target beneficiaries to have their database, lack of adequate awareness programme, non revision of income criteria which is even less than minimum wages fixed by GNCTD etc.to cover the target beneficiary groups in a time-bound manner.

The Management stated that some of the conditions for availing loans were cumbersome and Board of Directors had constituted a Committee to suggest best possible remedial steps. The reply is not acceptable as percentage of disbursement to funds available for disbursement had sharply decreased from 45.41 *per cent* in 2012-13 to a mere 12.90 *per cent* in 2016-17 which support audit contention. Even if Management contention of cumbersome procedural issues is accepted, it may not have still been able to reach the target population because of non profiling of beneficiaries and lack of awareness of its schemes.

2.2.3.3 Blocking of funds and consequential loss of interest

The Ministry of Social Justice and Empowerment, GoI introduced (1986-87) a fully funded family oriented scheme of economic development for the members of SCs living below the poverty line. As per scheme, out of the funds received from GoI, the Company was to provide a non-refundable subsidy to an extent of 50 *per cent* of loan given to SC beneficiary or ₹ 10,000, whichever is less. Trainings were also to be imparted to SC candidates under various job oriented trades. Under this scheme, the Company received funds of ₹ 9.68 crore during the period 1997-98 to 2016-17 while it spent a sum of ₹ 18.05 crore on the training and subsidy payments resulting in additional outgo of ₹ 8.37 crore till 31 March 2017. The extra expenditure was met from the interest earned on the surplus funds of the Company. Major expenditure was incurred during the period 2001-05, when the Company received GoI funds of ₹ 3.68 crore while it spent ₹ 13.39 crore by utilising Company's own funds for which no prior approval of the Board was taken with respect to excess expenditure incurred. The Company also did not seek refund of excess expenditure incurred. Audit noted that the Company did not receive GoI funds after 2007-08 except in the year 2012-13 though it continues to incur expenditure under this scheme. Non-receipt of funds was attributed to non-submission of the Company's audited accounts and utilisation certificate as commented in Paragraph 2.2.3 of this performance audit. The non-receipt of GoI funds and incurring expenditure out of its own funds resulted in a loss of interest income of ₹ 9.10 crore during 2005-06 to 2016-17, on the excess expenditure of ₹ 8.37 crore. The Company accepted the facts and stated that GoI did not release the funds due to delay in finalisation and statutory audit of accounts.

2.2.3.4 Loss of interest due to delay in investment of surplus funds

The Company receives annual allocation of funds for various schemes in advance at the beginning of the year from the Apex Corporations followed by sanction and release of funds. Due to poor implementation of welfare schemes by the Company, undisbursed funds get accumulated as commented above. The Company, however, does not have an investment policy on using surplus funds and as a result, investment decisions including extension of the existing bank deposits get delayed. The delay in investments of surplus funds is given in **Table 2.2.2**.

Table 2.2.2: Details of delay in investment of funds

Surplus Funds (₹ in crore)		Date of investment	Delay in days	Applicable Interest rate (%)	Loss (₹ in lakh)
Amount	Available on				
50	19.10.2012	02.11.2012	14	9	17.26
20	23.12.2012	02.01.2013	9	9.25	4.56
7	23.12.2012	24.01.2013	32	9	5.52
15	26.06.2013	03.07.2013	7	9.10	3.69
45	02.11.2013	07.11.2013	5	9.10	5.60
5	02.11.2013	07.11.2013	5	9.25	0.63
7	11.04.2016	27.04.2016	16	7.5	2.30
5	11.04.2016	27.04.2016	16	7.55	1.65
5	11.04.2016	27.04.2016	16	7.60	1.66
10	09.11.2016	06.01.2017	58	6.9	10.96
10	09.11.2016	06.01.2017	58	7	11.12
Total					**64.95**

The Company suffered a loss of interest of ₹ 64.95 lakh due to delay in decision making while investing surplus funds. The Company accepted the facts and attributed the delay to administrative and procedural reasons and informed that it has been decided to put up investment proposals at least 30 days before the maturity of every investment

2.2.3.5 Non-recovery of ₹ 2.15 crore due to delayed execution of rent agreement

The Company allotted its premises of 227.05 sq. mtrs. at Kalyan Building, Raigar Pura, New Delhi to the office of Delhi Commission for Safai Karamchari (DCSK) in July 2007 without entering into a rent agreement. The Company did not take up the matter with Public Works Department (PWD) for fixation of rent of said premises till April 2009. The rent was fixed by the Rent Fixation Committee of PWD in June 2015 and the rent agreement was signed on 23 March 2017, i.e., after occupying the space for about ten years. Based on the rent of ₹ 2.29 lakh per month, the total rent recovery worked out to be ₹ 3.53 crore out of which the Company recovered ₹ 1.38 crore in March 2017. The avoidable delay in rent fixation and recovery had resulted in loss of interest income of ₹ 1.69 crore as of March 2017. The Company stated (January 2018) that regular follow up is being made for the recovery of remaining amount.

2.2.3.6 Avoidable expenditure of ₹ 98.66 lakh on purchase/Maintenance of staff cars

The Board did not frame any policy for placing the official cars at the disposal of officers including those on additional charge. A full time Chairman and Managing Director and the sole Executive Director of the Company could be entitled for official cars. As on 31 March 2017, the Chairperson and Managing Director and the Executive Director were using the official cars The Company, however, was having a fleet of 10 staff cars as on 31 March 2017. Thus, the Company was having additional eight cars than required, as per entitlement. It was also observed that against the surplus eight cars, the Company was not having any special vehicle suitable for taking inspection teams or undertaking any awareness programme. The expenditure in respect of these eight cars on account of cost price and their maintenance amounted to ₹ 98.66 lakh. Moreover, use of general pool cars for productive use is not supported, for the fact that the implementation of the financial assistance schemes to the target groups was poor and funds received by the Company from Apex Corporations were largely kept in the Banks as fixed deposits.

It was also observed that at the time of purchase of new car on 29 July 2015, it was recorded that the car was being purchased due to condemnation of a Rural Transport Vehicle (RTV) which was used for recoveries and awareness camp while car has been deployed for CMD. Thus, the purchase of staff car in place of RTV to be used for the purpose of spreading awareness of the Company's schemes was not justified. One more car was purchased for CMD in April 2016, at a cost of ₹ 6.88 lakh, while a car was already purchased in 2015.

The Company stated that the cars are procured only as per requirement of the Corporation. The reply is not acceptable as only two vehicles were required in the Company for the two entitled officers.

2.2.4 Implementation of the Schemes

As per census 2011, the population of SC and Handicapped persons in Delhi was 28.12 lakh and 2.35 lakh respectively. The minority population was 21.72 lakh. Widowed, separated and divorced women were 10.78 lakh. 54 notified Other Backward Castes (OBC) in Delhi accounts for about 51 *per cent* of total population (1.67 crore) of Delhi. Three Municipal Corporations of Delhi alone have 64,000 Safai Karamcharis. Thus, there was significant population of target groups who could be brought under the various credit schemes implemented by the Company. There were sufficient funds from the Apex Corporations to provide credits to these target groups (See **Table 2.2.1** and **2.2.4**). However, as commented below, the Company showed no urgency or concern to implement these credit schemes.

2.2.4.1 Targets and achievements

At the time of annual allocations, the Apex Corporations also fix the State-wise and beneficiary category-wise physical and financial targets. In case of NSFDC, the average loan amount to SC beneficiaries was targeted at ₹ 0.45 lakh. In case of NBCFDC, the average loan amount to backward class beneficiaries was targeted at ₹ 0.45 lakh. In case of NHFDC, the average loan amount to Handicapped beneficiaries was targeted at ₹ 0.60 lakh, while in case of NMDFC, the average loan amount to Minorities beneficiaries was targeted at ₹ 1.11 lakh.

The targets and achievements of the Company during 2012-17 are given in **Table 2.2.3**.

Table 2.2.3: Details of Targets and Achievements

(Amount ₹ in lakh)

Year ending March	Target		Achievement		Achievement (%)	
	Physical (No. of cases)	Financial (Amount)	Physical (No. of Cases)	Financial (Amount)	Physical (No. of Cases)	Financial (Amount)
NSFDC Schemes for Scheduled Castes						
2013	701	277.46	207	368.88	30	133
2014	766	337.64	56	57.88	7	17
2015	833	375.99	16	15.90	2	4
2016	875	437.70	40	39.70	5	9
2017	*	615.55	140	219.34	NA	36
Total		**2,044.34**	**459**	**701.70**		**34**
NBCFDC Schemes for Other Backward Classes						
2013	300	150	22	17.00	7	11.33
2014	250	150	12	3.40	5	2.27
2015	115	150	9	9.35	8	6.23
2016	430	200	12	1.90	3	0.95
2017	925	255.43	23	10.61	2	4.15
Total	**2020**	**905.43**	**78**	**42.26**	**4**	**4.67**
NHFDC Schemes for Handicapped						
2013	109	60.00	4	4.00	3	7
2014	127	70.00	2	4.75	2	7
2015	108	81.00	4	12.65	4	16
2016	141	105.00	5	8.89	4	8
2017	211	105.00	9	6.28	4	4
Total	**696**	**421**	**24**	**36.57**	**3**	**23**
NMDFC Schemes for Minorities						
2013	105	100	4	3.80	4	4
2014	105	100	6	6.50	6	6
2015	105	100	1	0.69	1	1
2016	67	100	7	12.58	10	13
2017	67	100	41	29.80	61	30
Total	**449**	**500**	**59**	**53.37**	**13**	**11**

* Allocation letter does not mention about physical target.

It was observed:

a) that the number of beneficiaries covered during the period, under NSFDC schemes, was ranging from two to 30 *per cent* only and only 34 *per cent* of funds available was utilised.;

b) that the number of beneficiaries covered during the period, under NBCFDC schemes, was ranging from two to eight *per cent* only and only 4.67 *per cent* of funds was utilised;

c) that the number of beneficiaries covered during the period, under NHFDC schemes, was ranging from two to four *per cent* only and only 23 *per cent* of funds could be utilised; and

d) that the number of beneficiaries covered during the period, under NMDFC schemes, was ranging from one to 61 *per cent* and only 11 *per cent* of funds could be utilised.

Audit observed that acceptance of higher targets and fund allocations from Apex Corporation without corresponding plan or roadmap from the Company for loan disbursement to the beneficiaries became a regular beneficial tool in the hand of the Company to earn interest income from unutilized funds to meets its establishment expenditure and to justify its economic viability to the detriment of the interest of the target groups for whose benefit, the Company came into existence.

The Company accepted the facts and stated that it made all efforts to provide financial assistance to the targeted groups during 2012-2017, but due to non-availability of sanctioning authority for more than a year, time taken in making amendments in Delhi Swarojgar Yojna, non revision of income criteria which is even less than minimum wages fixed by GNCTD and implementation of model code of conduct during elections between 2013 and 2015, it could not achieve the targets. The Management reply is not acceptable as it does not address the audit contention of acceptance of higher targets and fund allocations from central level organisations without plan for disbursement, thereby earning interest income on unutilized funds kept in banks. As a result of lack of any plans significant shortfalls in achieving target of lending activities, which ranged between 38.80 and 99.04 *per cent,* under various schemes during the period of 2012-17 were observed.

2.2.4.2 Allocation of funds from Apex Corporations and utilization thereof

Apex Corporations fix the targets on the basis of which notional allocation of funds to the Company is made each year which in turn submits proposals indicating number of beneficiaries and aggregate funds required for sanctions by the Apex Corporations. **Table 2.2.4** indicates consolidated fund allocations by NSFDC for SC beneficiaries, NBCFDC for backward Classes and NHFDC for handicapped beneficiaries; funds drawn and loans disbursed during the period 2012-17.

Table 2.2.4: Details of consolidated funds allocated, sanctioned and drawn during 2012-17

(Amount ₹ in lakh)

Apex Corporations	Fund Allocation by Apex	Proposal submitted by the Company	Fund sanctioned by Apex	Amount drawn by the Company for beneficiaries	Funds not drawn by the Company against funds sanctioned	
					Amount	(In *per cent)*
NSFDC	2,338.37	2,225.50	2,044.34	795.16	1,249.18	61
NBCFDC	905.43	875.45	905.43	46.75	858.68	95
NHFDC	421.00	414.50	421.00	49.46	371.54	88
Total	**3,664.80**	**3,515.45**	**3,370.77**	**891.37**	**2,479.40**	**74**

The three Apex Corporations together allocated ₹ 3,664.80 lakh for the benefits of SC/BC/handicapped beneficiaries during five years period 2012-17. The Company submitted the proposals for ₹ 3,515.45 lakh out of which

₹ 3,370.77 lakh were sanctioned. The Company however could draw only ₹ 891.37 lakh (26 *per cent* of sanctioned funds) for disbursal of loans. Non-drawal of sanctioned funds in case of BC and Handicapped beneficiaries was 95 and 88 *per cent* respectively. Inability of the Company to fully draw the sanctioned amount for disbursing loans to all three categories of beneficiaries despite their significant presence among Delhi population means the Company has effectively failed to perform its stated responsibilities. The target group-wise Audit findings are as under.

(a) For Scheduled Castes

459 no. of SC beneficiaries during the period 2012-17 were disbursed loans of ₹ 701.70 lakh under the Schemes of the Company against the target of 3,175 beneficiaries. NSFDC requires the Company to allocate 50 *per cent* of entire loan meant for SC beneficiaries among agriculture sector, 40 *per cent* in service sector and 10 *per cent* in industry sector, and within each such sector, coverage of educated unemployed/under employed, women and others should be to the extent of 40 *per cent*, 40 *per cent* and 20 *per cent* respectively. The Company, however, did not do such prioritization to adhere to norms while disbursing loans to the SC beneficiaries. It also did not require any sector wise change to be made in the urban state like Delhi, if the specified sectoral allocation was not found feasible. Further, NSFDC introduced scheme for 'single women' in February 2013 and 'Green Business Scheme' (GBS) in December 2014 for providing financial assistance in the form of loan for e-rickshaws, solar pumps, etc. to tackle the challenges of climate change along with income generation. The GBS was approved by the Company's Board in July 2015. The Company however did not disburse the loans under both the Schemes as of 31 March 2017. The Company also did not take adequate action for Cluster Development for ensuring convergence of NSFDC's concessional loan with other schemes for socio economic development of this target group.

The NSFDC introduced (February 2014) a Vocational Education and Training Loan Scheme (VETLS) and the details were also communicated to the Company. The scheme covers courses of six months to 24 months for the target group resulting in wage placement. The Company was to give wide publicity to generate sufficient proposals and sponsor them to NSFDC from 2014-15 which it did not do thus deprived the intended benefits to the SC beneficiaries.

(b) For Backward Classes

78 no. of Other Backward Class (OBC) beneficiaries during the period 2012-17, were given loan of ₹ 42.26 lakh under the schemes of the Company against the target of 2020 beneficiaries. During 2014-15 and 2015-16, the Company did not draw any amount against sanctioned amount of ₹ 350 lakh for the benefits of the Backward Class (BC) beneficiaries. While allocating

funds, NBCFDC considered the lack of awareness among the under privileged and illiterate masses about the loan assistance schemes and specifically directed the Company to organise awareness camps and schemes be given due publicity among the target groups. The Company however did not take adequate action in this respect and disbursal of loans had been mainly based on beneficiaries reaching out to the Company rather than the Company's outreach activities to for BC beneficiaries through awareness programmes despite availability of funds from the NBCFDC during 2012-17 lying in bank deposits. **(Table 2.2.4)**

(c) For the disabled population

24 no. of disabled beneficiaries, during the period 2012-17, were given loans of ₹ 36.57 lakh under the Schemes of the Company. Against the disabled population of 2.35 lakh, the Company could disburse loans to only 887 beneficiaries during the period 2003-04 to 2016-17. The company could disburse loans to only 24 beneficiaries, during 2012-13 to 2016-17, against the target of 696. The poor performance and complaints in granting loans to the person with disabilities by the Company was pointed out by the Apex Corporation in September 2015. NHFDC specifically directed the Company to forward more proposals for extending benefits. The Company was to take a special drive by sensitizing the district offices to sponsor more number of proposals of Persons with disabilities (PwDs). It also directed the Company to compile a list of un-employed people from the database of special employment exchange and training institute in Delhi and also to explore the possibility of extending collateral free loans to PwDs through public sector banks or National Small Scale Industry Corporation (NSIC) under Credit Guarantee Scheme of Government of India. But the Company did not take the required steps despite availability of funds from the NHFDC during 2012-17 lying in its bank deposits (**Table 2.2.4**).

(d) For Minorities

The Company submitted proposals to NMDFC for allocation of ₹ 332.95 lakh for the years 2015-16 and 2016-17. Against this the Company was sanctioned ₹ 200 lakh but drew only ₹ 25.50 lakh for loan disbursement to minority beneficiaries. The Company disbursed loans to only 59 minority beneficiaries during the five years period covering 2012-17, which is unexplainable considering Delhi NCT has significant minority population. Audit noted that NMDFC additionally allocated ₹ 2.50 lakh annually to the Company during 2012-17 for organising a minimum of five awareness campaign/loan melas but the Company did not organise any awareness camp. The information in respect of proposals submitted and amount sanctioned/drawn for the years 2012-13 to 2014-15 was not furnished.

Further, the Apex Corporation required the Company to get the insurance of beneficiaries against death/ disabilities and the assets at the time of financing and the premium amount should be made part of the loan amount. For this purpose, the Company was to enter into an understanding with an Insurance Company for insuring the beneficiaries and their assets. The Company, however, failed to obtain insurance cover for its beneficiaries.

The Company accepted the points at sl. no. (a) to (d) above and attributed the reasons for shortfall in utilizing the sanctioned funds to non-revision of income criteria which is even less than minimum wages fixed by GNCTD and implementation of model code of conduct during elections between 2013 and 2015. The model code of conduct during election time cannot be attributed to poor implementation of ongoing welfare schemes and that it was the responsibility of the Company and the GNCTD to revise income criteria if they found it below the statutory minimum wages fixed by GNCTD.

(e) For Safai Karamcharis

National Safai Karamcharis Finance and Development Corporation (NSKFDC) allocated ₹ 166.80 crore during 2012-17. The Company however could draw ₹ nine crore only (5.39 *per cent*) in March 2016 from NSKFDC for implementing various schemes for this target group (having annual income of upto ₹ 1.20 lakh) which was also not utilized. Audit also did not see any action plan for disbursement of unutilised funds to Safai Karamcharis which were kept invested with the Bank.

The Company stated that funds could not be utilised as certain eligibility guidelines were not informed by Apex Corporation. The reply is not tenable as the Company failed to obtain or resolve the issue with the Apex Corporation in this respect for five years.

(f) For Scheduled Tribes

As per Census 2011, there were no original/indigenous Scheduled Tribes in Delhi. However, to recognise the presence of Scheduled tribes of other States residing in Delhi and realising the need of providing financial assistance for their economic upliftment, the GNCTD amended (25 July 2001) the Company's MoA and also declared it as a Channelising agency for the funds to be received from the National Scheduled Tribes Finance and Development Corporation (NSTFDC) for the benefits of ST population in Delhi. The Company took up the matter for release of funds to ST population living in Delhi in October 2002 with CMD, NSTFDC. But there was no evidence of follow up with the Apex Corporation after 2002 or any deliberation made in this regard, and as a result, the ST population residing in Delhi could not be given benefits under the various credits schemes of the Company.

The Company attributed the reasons to non-disbursement of loan due to absence of clear cut guidelines from GNCTD and non-recognition of STs in Delhi even in Economic Survey Report. The reply is not acceptable as Company did not take any steps after 2002 to release funds to ST population in Delhi. The reasons cited for non-disbursal were within the mandate of the GNCTD and should have been effectively addressed.

2.2.4.3 Failure of the Company to sponsor sufficient candidates for training in training facility created out of government funds

The Company signed (December 2007) a MoU with Apparel Training and Design Centre (ATDC), for developing training infrastructure out of the Government Grant of ₹ 30 lakh for imparting training to the target groups to create employment opportunities in garment industry. The following inadequacies were found.

a) As per terms and conditions of the grant, the Company was to sponsor 500 persons per annum belonging to the target groups (SC/ST/OBC/Handicapped/Minorities/Safai Karamchari) for such training whereas the Company could sponsor/train only 342 candidates against the target of 2500 persons of the target groups during the period 2012-2017 covered in Audit. Thus, the stated objective to run a training centre out of the government grants was not achieved. The Company stated that GNCTD did not release the funds for the years 2015-16 and 2016-17. The Management reply did not address audit contention of non-achievement of target in earlier years.

b) As per MoU, the Company was to provide 5875 Sq fts work space at Company's Head office at Ambedkar Bhawan for setting up of this Centre at nominal rent of ₹ one per annum. In violation of the terms and conditions of MoU, the Company allowed ATDC to occupy an additional space of 4092 Sq. fts during December 2007 to November 2013 without charging any rent. Thus, the facility created by the Company by way of giving space for training of targeted group was not used optimally. Rent fixed by the PWD for this additional space, however, was ₹ 9.82 lakh per annum which worked out to be ₹ 58,92,480 for unauthorized period and for which the Company did not raise any demand for recovery.

2.2.4.4 Deficiencies in implementation of Loan Schemes

The following shortcomings in granting loans to the beneficiaries were noticed:

(i) Absence of Survey - The Company did not conduct any survey of beneficiaries living below the poverty line (BPL) so as to formulate a base for planning and extending financial assistance and to cover the entire targeted population in a phased manner. The Company also did not conduct any feasibility study for the identification of viable profession and trades for the population living below the poverty line of the targeted beneficiaries. As a result the beneficiaries who were in need of financial assistance could not avail the benefits of the schemes.

(ii) Non- compliance of conditions of grant of loans - The following major deviations were found in disbursement of Composite Loan and Transport Loans:

a) Out of total 501 Composite Loans disbursed during 2012-17, audit test-checked 60 such loan cases and found that no supplier bill was obtained from the beneficiaries as required by the terms and conditions of the loan to authenticate the utilization of loan for the purpose it was released.

b) As per the Citizen Charter of the Company, the maximum timeline for the disbursal of all loans was 52 days. Audit test-checked 22 Transport and 60 Composite Loan disbursal cases and observed that transport loans were disbursed with a delay ranging between 766 and 1055 days while Composite Loan scheme cases showed delay of 13 to 393 days. Out of which, in 23 cases there was delay of more than 100 days.

c) To safeguard the Company's interest, the conditions of loan disbursement included signing of a hypothecation deed for assets financed out of loans and an insurance of the hypothecated assets. Audit noted that hypothecation deed for such assets (except transport loan) were not signed after disbursal of loans. In case of Transport Loans, the beneficiaries had submitted the comprehensive insurance policies for first year but renewal of such policy in subsequent years, however, was not ensured.

The Company stated that directions have been issued to comply with the terms and conditions of the sanction letter and to follow the timelines stipulated in the Citizen Charter.

(iii) Loan under Dilli Swarojgar Yojna (DSY) - The Scheme, started during 2012-13, was to be funded by the Company out of interest accrued on the Corpus fund of ₹ 50 crore given by GNCTD as first installment out of total Corpus of ₹ 100 crore. A test check of 25 DSY loan cases to whom ₹ 75.20 lakh was disbursed, showed the following deficiencies:

a) The Company disbursed loans with delay ranging between 175 and 938 days, against maximum of 52 days envisaged in its Citizen Charter.

b) In July 2015, a circular was issued by the Company wherein Branch/ Scheme-in-charges were instructed to take immediate steps to cover all the loan beneficiaries with the insurance cover of ₹ two lakh each at nominal rate of premium which will be deducted annually from the bank account of the beneficiary. The loan beneficiaries, however, were not covered with insurance in 10 out of 25 cases audited.

c) As the Company suffered losses due to premature closure of accounts, the CMD instructed (February 2015) the Branch-in-charges to issue letters to the concerned bank managers that they should not close the accounts of the beneficiaries without informing the Company if the applicant/ beneficiary has not repaid the entire loan to the Company. These instructions however were not complied in test-checked cases.

The Company stated that out of 54 beneficiaries who closed their bank accounts, 17 beneficiaries had repaid their loan dues. However, the fact remains that CMD instructions were not followed by the Branch-in-charges. The Company may like to examine as to why the Branch-in-charges did not comply with these instructions and take appropriate action.

d) In five cases, the bills for the assets created out of loan were not obtained from the beneficiaries, to ensure that the loan/ funds were utilized by the beneficiary for the purpose for which it was sanctioned.

e) The Corpus was not kept in a separate bank account as DSY was to be run from interest income of the Corpus and was not to be utilised for other purpose

(iv) Lack of transparent procedure while cancelling loan proposals under all the schemes

Listing and records of rejected cases were not properly maintained. We however could test-checked 93 rejected cases and the following discrepancies were noted in rejected loan cases pertaining to 2012-17 period. Some of significant findings as discussed below:-

a) In five cases, initially found suitable for disbursal of loans in field survey reports conducted after receipt of applications were later rejected on the parameters on which the field survey reports has confirmed their suitability.

In four cases, deficiency memos were issued to the applicant on multiple occasions after long intervals which pointed out different deficiencies on each occasion. All these deficiencies could have been pointed out at one single occasion.

b) In five cases, applications were rejected on the grounds of non-compliance of requirements which were already met by the applicant. The applications were rejected on the ground that the applicant did not have knowledge of proposed work in a case where the applicant intends to start business of routine nature e.g. sale of ready-made garments.

c) In three cases, loan applications were rejected citing family income more than the stipulated ceiling which was not justified as the income of a father (a Govt. employee) was also included in the family income of a married applicant in violation of the established criteria.

d) In five cases, the applications were rejected on the grounds that the applicant submitted faulty project report or does not have suitable workplace.

Standard format of the project report was not provided to the applicants by the Company due to which applicants could not avail intended benefits of the schemes.

The Company stated that the main reasons for cancellation of loan proposals even after being found suitable during field survey was non-completion of stipulated formalities as laid down in scheme or inadequacy of work place. The reply is not acceptable as Audit has pointed out rejected cases which were not processed in objective manner.

2.2.5 Recovery performance

2.2.5.1 Dismal Recovery Performance

The Company disburses the loans to the beneficiaries with repayment period ranging between three to five years except in case of Education Loan. For loans up to ₹ 50000, no security is taken by the Company whereas for loan above ₹ 50000, the assets purchased out of the loan amount is hypothecated in favour of the Company. The principal amount and interest is recovered through equated monthly installments by cash/cheques/post-dated cheques deposited by the beneficiaries. Details of recoveries effected during the year 2016-17 is shown in **Table 2.2.5**.

Table 2.2.5: Details of loan recovery during the year 2016-17

(**Amount ₹ in lakh**)

Recovery on	Recoverable amount as on 1 April 2016	Recovered during 2016-17	% of Recovery
1	**2**	**3**	**4 = 3/2x100**
Running Cases	210.52	198.96	94.51
Overdue Cases	2,480.98	104.42	4.21
Total	**2,691.50**	**303.38**	**11.27**

It is observed that the Company is not able to recover the amount from overdue cases, and against ₹ 24.81 crore outstanding as on 1 April 2016, only ₹ 1.04 crore could be recovered during 2016-17. Non-recovery of loans also restricts the ability of the Company to provide credits to other target beneficiaries.

The Company stated that in order to recover the outstanding loan, the Board of Directors has decided in October 2017 to constitute a committee to suggest best possible ways including one time settlement scheme.

2.2.5.2 Non-recovery of outstanding dues in 3533 loan case files

The Company disbursed loans to 10,647 beneficiaries since inception up to March 2017 and 5,455 accounts had been cleared and NOCs were issued. Thus, the Company should be in possession of loan files of 5,192 beneficiaries for which recovery process should have been initiated. However, up to March 2017, Recovery Division issued notices to only 1524 beneficiaries involving recoverable amount of ₹ 9.19 crore and Legal Division filed 135 recovery suits for recoverable amount of ₹ 1.75 crore. This could be a matter of investigation as to how the recovery follow up for the remaining 3,533 unsettled loan cases were not proceeded.

The Company while confirming the facts stated that the competent authority has constituted a committee to search and locate the missing files. The reply shows that management oversight over loan recovery was poor as they should not have waited for Audit to point out this and should have initiated action on their own.

2.2.5.3 Loss due to zero recovery of loan installments

89 beneficiaries to whom loan of ₹ 62.48 lakh was disbursed between the years 2000 and 2017 had not paid even a single installment so far. Though the Company had obtained post-dated cheques from the borrowers at the time of disbursement of loans but the cheques were dishonoured when presented for clearing. No action had ever been taken against Government servants who had given guarantee at time of sanctioning of these 89 loans. Further, the Company had neither issued recovery notices/reminders nor handed over such cases to Revenue Department for recovery of dues as arrears of land revenue resulting in loss of ₹ 62.48 lakh as shown in **Table 2.2.6**.

Table 2.2.6: Details of beneficiaries not repaying single installment

Year	No. of beneficiaries	Loan amount in Rupees
2000-01	1	1,36,487
2001-02	10	6,81,232
2002-03	17	11,97,087
2003-04	29	20,79,446
2004-05	9	6,71,705
2005-06	8	5,12,722
2006-07	6	4,00,664
2007-08	2	1,39,804
2009-10	2	41,484
2010-11	2	2,54,330
2015-16	1	80,816
2016-17	2	51,756
Total	**89**	**62,47,533**

The Company stated that in order to recover the outstanding loan, the Board of Directors decided (October 2017) to constitute a committee to suggest best possible ways including one time settlement scheme. Further, the Board in its meeting held in July 2015 resolved that police complaint (FIR) be lodged against 66 beneficiaries who had closed their bank accounts after obtaining loan from the Company.

The Company stated that it had written a letter to SHO, Police Station, Rohini on 25 September 2012 to lodge FIR. The reply is not acceptable as neither FIR could be lodged nor status on action taken was placed before the Board of the Company.

2.2.5.4 Non- recovery of ₹ 8.27 crore under various Schemes

The following audit findings relate to the cases where the Company officials did not take adequate action for recovery of ₹ 8.27 crore outstanding under various loan schemes and the Company also did not take action against the responsible officials to enforce their accountability in this respect.

(a) Under the RTV Scheme/Hari Bhari Scheme for financing commercial transport vehicles, loans were given to 63 beneficiaries. Total 25 beneficiaries paid their dues and remaining 38 beneficiaries became defaulters and their outstanding amount of ₹ 2.69 crore was written off by the Board (February 2016) on representation of the borrower and/or recommendations of the politicians. Audit noted that the Company did not make independent determination as to how and whether these borrowers indeed were not in position to repay and what happened to the vehicles that was financed by the Company. Moreover, the beneficiaries who had repaid the loan will be demoralized and it will encourage the other beneficiaries to default on repayment of their loan. In meantime, the Company requested grants-in-aid of ₹ three crore from GNCTD to cover the amount written off and decision of the government thereon is awaited.

The Company stated that the beneficiaries were not given profitable route permit by the Transport Authority of Delhi and as a result the beneficiaries could not repay the loan. The reply is not tenable.as Transport Authority of Delhi works under the GNCTD and any shortcomings in awarding route permit should have been resolved. Further, decision to write off ₹ 2.69 crore means that the effect of non-recovery was now to be passed on to the Government by claiming grants-in-aid of ₹ three crore.

(b) The Company disbursed loans to SC beneficiaries for diesel operated Deluxe Buses and Tempo Travellers for commercial use between 1997 and 2000 with repayment period of five years against undated cheques. These loans were disbursed despite the fact that the Supreme Court had passed number of orders during 1986-1998 in favour of CNG vehicles in Delhi to minimise the air pollution and to stop diesel run passenger vehicles after 31 March 2001. These company financed vehicles stopped plying after 31 March 2001 and all the SC beneficiaries stopped making repayment of loans to the Company. A High Court stay on recovery action of the company was vacated in the year 2007 thus allowing the Company to present the cheques for recovery of loans. The Company however did not take any action in this respect during next six years and presented the cheques of the borrowers in 2013 which were dishonoured. The Company however did not take any follow up action against defaulting borrowers for recovery nor did it enforce accountability of the responsible officials for their failure to present the cheques after vacation of stay in 2007. As a result, ₹ 2.69 crore remain unrecovered for last 11 years and has become bad debts.

(c) A law suit was reportedly filed between 2004 and 2008 for repayment of ₹ 1.43 crore disbursed in 133 loan cases between 1991-92 and 1995-96. However, there were no records of consulting law officers, court proceedings, and court judgements, if any, for such legal action. After seven years in March 2015, the CMD of the Company referred these cases to the recovery section for recovery through SDM office as arrears of Land Revenue and ordered severe action against responsible officials after preliminary inquiry report. Audit however did not find any evidence in the file for any follow up action as ordered by the CMD.

(d) In 65 legal suits involving ₹ 1.09 crore filed by the company for recovery of dues were decreed in favour of Company in 2006 but the execution petitions were not filed to make recovery. The reasons for non-filing of petitions was that certified copies of decision of the court was not available with the Company. After eight years, these cases were assigned to three advocates in January 2014 for obtaining copies of the judgment and to file the execution petitions. Further, after assigning the work in January 2014, neither any written confirmation from three advocates in support of filing petitions was received nor any progress of case was communicated after a lapse of almost three years. This resulted in blocking of ₹ 1.09 crore and loss of interest thereon.

(e) A committee was constituted in July 2016 to review the 47 loan cases disbursed during 2005-07 at Mangolpuri branch. At the time of sanction of these cases, there was a doubt expressed by the GM that some of the eligibility certificates could be not genuine. In spite of doubt expressed, the loan amounting to ₹ 23.75 lakh was disbursed. After partial recovery, there was outstanding amount of ₹ 21.76 lakh as on 31 March 2017. No inquiry was conducted/completed as per orders issued in July 2016.

The Company in respect of sl. no. (b) to (e) above stated that the Board of Directors in October 2017 decided to constitute a committee to suggest best possible for the recovery of outstanding loans including special recovery drive through 'One Time Settlement Scheme'.

2.2.6 Manpower Management

Vacancies in operational Positions

The sanctioned strength of 155 officials was approved by the Board in March 1996 against which 164 officials were in various positions as on 31 March 2017. Out of 164, there were 67 multi tasking staff (MTS) in regular appointment against sanctioned strength of 32, whereas there were significant vacancies in operational positions. The accountability of officials responsible for keeping MTS in excess of the sanctioned posts was not enforced. The Company replied that all vacant posts have been abolished and present strength of 164 officials is now their sanctioned strength including 73 MTS presently employed. Audit observed that there were only two managers against five sanctioned posts and 8 lower divisional clerks against 31 sanctioned posts. All positions of field inspectors (8), statistical assistants (3) and Dy. Manager, Legal (1) were vacant. Raising sanctioned strength to 73 MTS out of 164 total officials of the company does not seem to be a viable organisational structure for a government finance corporation. The GNCTD should examine whether recruitment of 73 MTS was done as per extant rules and procedures and was needed for proper functioning of the organisation. Audit further observed that out of 164 employees, 78 employees could be considered as directly responsible for the disbursement of loans who disbursed 837 loans in five years. Thus, on an average, each staff disbursed two loans in a year. The Company should examine how to improve employee-loans disbursal ratio in overall context of effective implementation of concessional loan schemes.

2.2.7 Internal Control System

Internal Control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and orderly manner. An internal control structure includes an efficient and effective internal audit wing, and manuals and standard operating procedures to guide its operations. Audit noticed the following deficiencies in Internal Control System.

a) The Company did not have policy, manuals, and standard operating procedures to effectively manage its credit disbursal and recovery operations.

b) Though the Company is engaged in extending financial assistance to the beneficiaries since 1983, it has not introduced any internal audit system to evaluate the level of compliance with the existing rules and regulations.

c) No record was maintained in support of visits made by the officials of the recovery section for the recovery of loan instalments/default amount. Therefore, it could not be ensured whether the recovery staff was doing its duty properly or not.

d) The Company has not been maintaining the record of receipts and the disposal of the public grievances. These grievances and their settlement were not brought into the knowledge of the MD of the Company.

The Company stated that it follows the Citizen Charter in disbursal of loans. As per Company Act, 2013 there was no requirement of internal audit as its paid up capital is below ₹ 50 crore. Further, the Company communicates suitable replies to the applicants and take necessary action as required in the grievances. The reply is not acceptable as for effective implementation of various loan schemes, the Company was to frame manuals, policies and standard operating procedures. Internal audit is an effective tool to evaluate the level of compliance with the existing rules and regulations. Grievances records were not maintained and such grievances were also never brought into the knowledge of MD of the Company.

2.2.8 Conclusion

The Company had sufficient funds from the Apex Corporations to provide credits to target groups, however, it failed to perform its responsibilities. There were deficiencies in extending financial assistance. It had not conducted any survey of the targeted population and there were significant delays in disbursement of loans. There was shortfall in achievement of annual financial and physical targets. Total funds drawn from the all Apex Corporations during 2012-17 was ₹ 37.48 crore against which the Company could disburse only ₹ 13.13 crore during the same period. The disbursement of loan which was 45.41 *per cent* of total available funds in 2012-13 declined to 12.90 *per cent* in 2016-17. The Company instead of adopting an outreach policy of finding eligible beneficiaries to disburse the concessional loans, kept the funds idle in the banks and interest thus earned was used to meet its establishment expenditure, to the detriment of the interests of the target groups.

The system for follow up of the recovery from the beneficiaries was far from satisfactory. The total recovery effected by the Company during the year 2016-17 was only 11 *per cent* and the Company was not having any data of actual recovery for the previous years. The post loan disbursement monitoring was not prevalent in the Company and thus there was non-verification of the assets created, poor recovery of loans and lack of impact studies. The Company has not introduced Internal Audit System to exercise control over sanction and disbursement of loan to beneficiaries.

2.2.9 Recommendations

The Government may consider:

The Company was established in 1983 when banking system was not that prevalent. Now there are so many schemes of Government which are operated by banks which have requisite infrastructure and know how right from project evaluation to recovery stage so it is advised to review the receivables of the company to operate in this field mainly when it has failed to perform.

The Company may consider:

a) conducting outreach activities to profile the potential beneficiaries in each target group and prepare their database to determine economic viability of profession and trades to which loans could be granted and to generate awareness among them about the Company's schemes to enable them to seek financial assistance.

b) ensuring that funds allocated and sanctioned by the Apex Corporations are fully drawn and utilised for the benefits of the intended beneficiaries.

c) strengthening the loan recovery mechanism and relevant record management to improve the performance of loan recovery.

d) improving its corporate governance and oversight mechanism to effectively promote the objects of the Company in the best interests of the intended beneficiaries.

The matter was referred to the Government (November 2017); their reply was awaited (January 2018).

Department of Power

Delhi Power Company Limited

2.3 Avoidable payment of penal interest

Failure of the Delhi Power Company Limited management to timely assess the Minimum Alternate Tax liability and consequently non-payment of advance tax resulted in avoidable payment of penal interest of ₹ 60.01 lakh.

GNCTD vide notification dated 20 November 2001 transferred and vested all the liabilities of the Delhi Vidyut Board in the holding company namely Delhi Power Company Limited (DPCL), which were not allocated to the other successor entities viz. Genco, Transco and DISCOMs. Further, DPCL was directed to manage liability of settlement of Central Power Sector Undertakings (CPSUs) dues of ₹ 3376.69 crore (including 8.5 *per cent* per annum interest) payable to NTPC, BTPS, NHPC, PGCIL and NPCIL. The CPSUs dues are cleared by DPCL out of grant approved by GNCTD.

Section 115JB Income Tax Act, 1961 (the Act) states that every taxpayer company is liable to pay Minimum Alternate Tax (MAT) if the income tax (including surcharge and cess) payable on the total income computed as per the provisions of the Act in respect of any year is less than 18.50 *per cent* of its book profit. The taxpayer who is liable to pay tax is required to estimate his current income and pay advance tax on his own. Section 208 of the Act states that advance tax is to be paid in instalments falling due on 15 of June, September, December and March. Section 234B of the Income Tax Act, 1961 provides for levy of simple interest at one *per cent* per month or part of a month when the taxpayer has failed to pay advance tax or where the advance tax paid by the taxpayer is less than 90 *per cent* of the assessed tax. Section 234C provides for levy of interest for default in payment of instalment(s) of advance tax.

Delay in payment of MAT for the financial year 2009-10 and subsequent payment of penal interest of ₹ 2.02 crore, in July 2014, under section 234B and 234C was pointed out in para 2.4 of Audit Report No. 1 of the Comptroller and Auditor General of India for the year ended 31 March 2015. DPCL management was therefore expected to be vigilant so that the same irregularity does not occur in future. Audit however noted that DPCL did not pay advance tax due to its failure to estimate MAT liability on book profits of ₹ 14.63 crore and ₹ 20.76 crore in the financial years 2015-16 and 2016-17, respectively. As a result, DPCL had to pay penal interest under Section 234B and 234C amounting to ₹ 60.01 lakh (₹ 37.63 lakh for 2015-16 and ₹ 22.38 lakh for 2016-17).

Instead of enforcing the accountability of the responsible officials for repeat violations of the Act that attracts penal interest, DPCL management regularised the violations, on file, stating that the amount of penal interest on delay in advance tax was considerably offset by interest earned on funds parked in the nationalised banks as fixed deposits. Management's this line of argument is not justified to defend the violation of provision of the Act. Moreover, interest earned on fixed deposits was ₹ 25.41 lakh less than the penal interest paid under Section 234B and 234C

Thus, failure of the DPCL to timely assess the MAT liability and consequent non-payment of advance tax resulted in avoidable payment of penal interest of ₹ 60.01 lakh.

The matter was reported (October 2017) to the Government; their reply was awaited (January 2018).

Delhi Transco Ltd.

2.4 Unproductive investment in purchase of land

Purchase of land in 2014 at annual recurring cost of ₹ 1.34 crore without ensuring its suitability for the proposed sub-station and no finite plan for setting it up to the year 2022, resulted in revenue loss in term of interest paid on its borrowing which worked out to be ₹ 79.92 lakh on ₹ 4.08 crore paid up to July 2017 for the land which remains blocked and has become unproductive.

The Delhi Development Authority (DDA) offered (December 2009) a site at Molar Band measuring 10800 Sqm to the Department of Power (DoP), GNCTD to set up a 66 KVA grid sub-station to energize upcoming 690 Lower Income Group DDA houses. Delhi Transco Limited (DTL), consented (December 2010) to jointly acquire this land with BSES Rajdhani Power Limited (BRPL), a privately owned power distribution company to co-locate their 220/66 KV grid sub-station (by DTL) and 66/11 KV distribution sub-station (by BRPL). The Department of Power (DoP) informed (May 2011) this to DDA.

As per DDA land policy, the land is allotted to DoP which in turn can license it to power utilities on 'Right to Use Basis' by charging annual license fee. DDA, however, allotted (November 2012) land to the extent of 8550 sqm only for which DoP paid (March 2013) ₹ 11.16 crore to DDA. Subsequently, DoP handed over (December 2014) the land to DTL (5133 sqm) and BRPL (3417 sqm).

While assessing the status of the ongoing electricity related projects, the Planning Steering Committee[23] (PSC) was informed (October 2015) that the said piece of land was not suitable for setting up 220/66 KV grid sub-station (by DTL) and 66/11 KV distribution sub-station because of its triangular shape and inadequate approach rendering the feasibility for infeed and outlets problematic. DTL finally decided in April 2017 after a delay of 19 months to not to set up the proposed facilities and return the land to DoP. In meantime, DTL continued to pay annual license fee to DoP. It had paid ₹ 4.08 crore (up to July 2017) which became unproductive. Audit noted the following:

1. Finding the same land as unsuitable in October 2015 and the proposed sub-stations no more required in April 2017 means that DoP and DTL did not do adequate due diligence for land acquired from DDA and the power load projections. DTL had not assessed the feasibility for setting up of the sub-station on the land before taking the possession. In fact, in the PSC meeting held on 12 December 2013, doubts were raised about suitability of layout of 8,550 Sqm plot for setting the sub-station. But DTL still chose to take possession of the land under the instructions of the DoP.

2. DTL took possession of land on 23 December 2014 and therefore was liable to pay license fee on pro-rata basis for 99 days (23 December 2014 to 31 March 2015) for the year 2014-15 but at the insistence of DoP, DTL had to pay the annual fee for full year 2014-15 whereas DoP allowed BRPL to pay only for 99 days. DTL thus paid ₹ 1.34 crore against its liability of ₹ 36.34 lakh.

3. Despite the PSC being informed (October 2015) that the land was not suitable for sub-stations, DoP continued to insist on payment of annual license fees for the succeeding period and charged interest of ₹ 6.42 lakh @ 1.25 *per cent* per month for delay in payment of annual fee for 2016-17.

In the process, DTL incurred a loss of interest of ₹ 79.92 lakh[24] on ₹ 4.08 crore paid for the land which remains blocked.

DTL replied (October 2017) that due to changed circumstances, it did not require the land and the portion of the land allocated to it has been handed over (5 September 2017) to BRPL for its license use. Further, the amount paid by DTL to DoP on account of its portion of the land is being settled with BRPL. The Management reply is not acceptable as assuming that the DTL will recover the amount of license fee already paid, from BRPL, there is no mention that DTL will also recover the cost of funds it used for paying the license fee during 2014-17.

---

[23] Planning Steering Committee was set up under the Delhi Electricity Regulatory Commission (State Grid Code) Regulation 2008. General Manager (Planning) of DTL is the chairman of this Committee which have representatives from DISCOMs.

[24] Calculated @ 10.50 *per cent*, which is borrowing rate of DTL for the said period.

Thus, purchasing a land in 2014, at annual recurring cost of ₹ 1.34 crore, without ensuring its suitability for the proposed sub-station and no finite plan for setting it up to the year 2022 was not justified. This has resulted in revenue loss in term of interest paid on its borrowing which worked out to be ₹ 79.92 lakh on ₹ 4.08 crore paid up to July 2017 for the land which remains blocked and has become unproductive.

The matter was referred (August 2017) to the Government; Reply was awaited (January 2018).

Department of Tourism

Delhi Tourism and Transportation Development Corporation

2.5 Infructuous expenditure of ₹ 39.66 lakh on the construction of Dilli Haat at Mayur Vihar

Initiation of construction of Dilli Haat at Mayur Vihar in infringement of Supreme Court and Delhi Development Authority directions and despite refusal of change of land use by DDA in Octobter 2013 and prohibition by UTTIPEC, resulted in infructuous expenditure of ₹ 39.66 lakh.

The Supreme Court issued (May 2006)[25] directions that before acquisition of lands for development, the consequences and adverse impact of development on environment must be properly comprehended and lands be acquired for development that do not gravely impair the ecology and environment. The Governing Body of Unified Traffic and Transportation Infrastructure (Planning and Engineering) Centre (UTTIPEC) of the Delhi Development Authority (DDA) prohibited (February 2010)[26] covering of drain in Delhi by any agency. It has been observed in Audit (March 2017) that on suggestion of a Member of Parliament, Delhi Tourism and Transportation Development Corporation (DTTDC) initiated (May 2012) a proposal to construct Dilli Haat by covering a portion of Shahdara Link Drain at Mayur Vihar and had applied (October 2012) to the DDA for change of land use[27]. Irrigation and Flood Control Department (IFCD) of GNCTD transferred (March 2013) the 27,000 square meter (Sqm) of land of Shahdara Link drain at Mayur Vihar to DTTDC on lease basis for 99 years. The Audit findings are as under:

1. Without waiting for permission for change of land use, the DTTDC appointed three consultants for structural design, proof checking of structural design, and architectural consultancy in June, August and September 2013 respectively. The request for change of land use however was not acceded in

[25] In the case of Karnataka Industrial Areas Development Board Vs C. Kenchappa & Others {Appeal (Civil) 7405 of 2000}

[26] Minutes of the 21st Meeting of the Governing Body of UTTIPEC

[27] Since the proposed site was an open drain, change of land use was required.

Board of Enquiry and Hearing of DDA held on 24 October 2013. The Company however did not foreclose the consultancy agreements and continued to take their services upto May 2015.

2. The judgement on an application[28] filed in 2013 with the National Green Tribunal for stay on land use change proceedings initiated by the DDA finally came in January 2015 which forbid the construction and/or coverage of any of the drains in Delhi by any Authority. The Company foreclosed the consultancy agreements in April/May 2015. By this time, the Company had already incurred an expenditure ₹ 39.66 lakh on the Project which became infructuous.

The Management replied (May 2017) that no violation has been done for initiating preplanning activities of the project. Approval for transfer of land for covering of Shahdara Link Drain in the said portion for construction of Dilli Haat at Mayur Vihar was accorded by the Lieutenant Governor, Delhi (LG). The pre-planning activities of project were reviewed a number of times by the Chief Minister and Chief Secretary, Delhi. The permission for change of land use was considered (April 2013) in a meeting of technical committee of DDA. The reply is not acceptable as this proposal was ab-initio wrong and change in land use was not acceded to by DDA in October 2013 and should be seen in the light of the fact that the LG approval letter for transfer of land stated that the DTTDC should take up the issue of land use change with DDA at its own and also should seek prior sanctions of all regulatory agencies prior to putting even a temporary structure on the land. Therefore, the DTTDC should not have financially committed itself by appointing the consultants without prior permission from the DDA.

The Government thus erred in ordering the Company to take up the project based on suggestion of a Member of Parliament ignoring the prohibition of covering of drains in Delhi by any agency vide decision of UTTIPEC in February 2010 and pronouncements of the Supreme Court and the competent bodies and incurred infructuous expenditure of ₹ 39.66 lakh whereas they should have first sought all the clearances.

The matter was reported to the Government in June 2017 and their reply was awaited as of (January 2018).

[28] No. 300 of 2013 and M.A. No. 877 of 2013 filed by Sh. Manoj Kumar Misra.

2.6 Loss of interest

Delhi Tourism and Transportation Development Corporation suffered a loss of interest of ₹ 1.18 crore due to incurring expenditure on deposit work without ensuring prior receipt of deposits from the client department.

The Revenue Department of GNCTD entrusted (August 2011) the work for construction and up-gradation of e-Sub-Registrar Office (RO) at Basai Darapur, Delhi to DTTDC on deposit work basis subject to observance of all codal formalities and related instructions as per Central Public Works Department (CPWD) Manual/ General Financial Rules (GFR) 2005.

Section 3.4(1) and (6) of the CPWD Works Manual provides that whenever a deposit work is to be undertaken, the deposit should be realised before any liability is incurred on the work and in no case should deposits received from a client department for its work be diverted to other works.

Audit observed that of the total construction cost of ₹ 15.09 crore, only ₹ 1.95 crore were realised before completion of contract. DTTDC realised ₹ 12.79 crore (85 *per cent* of total cost) after completion of work, during July 2013 to January 2017, a delay of between 2 and 44 months and ₹ 34.74 lakh remained unrealised as of July 2017.

Besides, DTTDC charges departmental charges at five *per cent* and consultancy fees at one to three *per cent* on the total cost of deposit works. DTTDC in this work did not charge consultancy fees and its revenue from departmental charges was ₹ 71.88 lakh. The non-receipt of required deposit prior to incurring the expenditure implied that DTTDC had used its own funds for execution of the work. The average interest DTTDC earns from its surplus funds, deposited with banks is about 6.5 *per cent* and by incurring expenditure on deposit work without ensuring prior receipt of deposits means DTTDC has forgone interest income of ₹ 1.18 crore. Thus, there was a net loss to DTTDC in undertaking this work.

The Government stated (November 2017) that the work was undertaken on the orders of GNCTD. It further stated that the funds utilised for the Basai Darapur project was from the same Head i.e. of the Revenue Department deposits against the other e-Sub-Registrar offices. The reply is not tenable as it was in violation of the provisions of the CPWD Works Manual and DTTDC used its own funds during execution of this work.

Thus, DTTDC suffered a loss of interest of ₹ 1.18 crore due to incurring expenditure on deposit work without ensuring prior receipt of deposits from the client department.

2.7 Wasteful expenditure

Inadequate due diligence and planning on the part of DTTDC resulted in avoidable delay of 12 years in developing the land for the stated use and wasteful expenditure of ₹ 23.19 lakh. Besides, idling of investment in land means interest cost of ₹ 1.27 crore to the DTTDC on blocked funds of ₹ 1.79 crore with no corresponding revenue generation.

DTTDC acquired (April 2005), from the Office of Director (Panchayat), GNCTD, 5.22 acres land on 99 years lease at the cost of one-time premium of ₹ 1.38 crore and ground rent of ₹ 3.44 lakh per annum for extension of its existing 20 acre garden, 'Garden of Five Senses' at Saidu-ul-Ajab village, New Delhi.

DTTDC did not take action to develop the land during first five years (2005-10). It decided (2010-12) to set up a Wellness Centre and Recreation Club (WCRC) without checking whether the construction of a WCRC on the land allotted for extension of the existing garden was allowed under the Delhi Master Plan (DMP) – 2021 notified by DDA in February 2007. DTTDC appointed (October 2012) a Project Development Advisor (PDA) for 'construction, operation, maintenance, management and transfer of WCRC on public-private partnership (PPP) mode'.

PDA in presenting (February 2013) its feasibility study and business plan to DTTDC, however, raised doubts whether the construction of WCRC would be permissible under DMP–2021. But even at this stage, DTTDC chose not to check with the DDA about this and ordered the PDA to conduct tendering process to appoint a PPP partner.

DTTDC sought (February 2014) the clarification from DDA only after the bidders at pre-bid meeting held (January 2014) told DTTDC that the construction of WCRC would require conversion of land use and requested the DTTDC to clarify. The DDA clarified (April 2014) that the construction of WCRC is not permissible under the DMP-2021 and for change of land use, a no objection certificate would be required from the Ridge Management Board and Central Empowered Committee constituted by the Supreme Court of India. DTTDC did not seek change of land use and foreclosed (October 2015) the contract with PDA and abandoned (June 2016) the proposal to construct WCRC. Thus, ₹ 15.19 lakh paid to PDA for consultancy and ₹ 8 lakh for tender advertisement became wasteful expenditure. Besides, DTTDC incurred interest cost of ₹ 1.27 crore[29] (up to July 2017) on blocked

[29] Calculated at the rate of interest which DTTDC was earning on its surplus invested ranging between 6.25 to 8 *per cent* per annum during the period 2005-06 to 2016-17.

funds of ₹ 1.79 crore[30] with no corresponding revenue generation envisaged in the business plan.

Management stated (May 2017) that the corrective action has since been taken and the land would now be developed for holding big events with the nominal infrastructure for that it has received Plan funds of ₹ 36.59 lakh in 2016-17. A boundary wall around the land has already been built and an architecture consultant has been appointed for developing it. The reply is not tenable as DTTDC did not take action to develop the land during first five years (2005-10), and its subsequent delay and wasteful expenditure was avoidable, had they checked the permissibility of land use before embarking on WCRC project.

Thus, inadequate due diligence and planning on the part of DTTDC resulted in avoidable delay of 12 years in developing the land for the stated use and wasteful expenditure of ₹ 23.19 lakh. Besides, idling of investment in land means interest cost of ₹ 1.27 crore (up to July 2017) to the DTTDC on blocked funds of ₹ 1.79 crore with no corresponding revenue generation envisaged in the business plan.

The matter was referred (August 2017) to the Government; their reply was awaited (January 2018).

Department of Transport

Delhi Transport Corporation

2.8 Non-recovery of losses from the Annual Maintenance Contractor

Due to inadequacy in contract management coupled with delayed action attributed to management, DTC could not recover the losses from Tata Motors Limited resulting from 17 burnt buses with depreciated value of ₹ 5.86 crore. Besides, due to non-availability of 17 buses, DTC has been suffering an annual loss of contribution of ₹ 1.13 crore and total loss up to June 2017 was ₹ 2.82 crore. Not ensuring insurance cover for 2682 buses means undue benefit extended to Tata Motors Limited equivalent to cost of insurance cover.

Under a contract signed (October 2008) between M/s Tata Motors Limited (TML) and Delhi Transport Corporation (DTC), TML supplied 2682 fully built low floor city buses during 2007-11 with responsibility of annual maintenance till 7,50,000 KMs beyond warranty period to ensure 92 *per cent* all time availability of buses for operation. As per practice DTC takes only third party insurance cover for its fleet which mitigates the risk/liability arising out of use of its fleet in public places to cover the losses for damage to

[30] Land cost of ₹ 1.38 crore and ground rent of ₹ 0.41 crore for 12 years

any third party but does not cover loss to motor vehicle. However, to safeguard against any loss while buses are in custody of maintenance contractor in the depots for maintenance, clause 46.20 of the Annual Maintenance Contract (AMC) with TML stipulates that TML would take adequate insurance cover for the buses in its custody for maintenance, which shall include buses parked in depots under repair during AMC period to protect DTC from any loss because of damage (including fire) to the bus.

Seventeen of these buses costing of ₹ 10.34 crore parked at Ambedkar Nagar Depot of DTC were burnt in a fire on 1st January 2015. A High Power Committee[31] (HPC) constituted (January 2015) by Delhi Government concluded (July 2015) that there was no mala-fide action behind the cause of fire and the exact cause of the fire was not ascertained. Audit findings are as under:

1. The buses under AMC were to be attended at DTC depots and AMC facilities of TML were to be co-located with DTC depots for this purpose on the space provided by DTC for TML's work force; storage of spares; and plant, machinery, tools etc. TML personnel were to conduct checking and preventive maintenance of buses at depot prior to the schedule of departure of each bus daily/regularly[32]. These AMC provisions collectively mean that the buses inside the depots were to be in effective custody of the TML until the buses in ready condition are removed from depots for operation. A Committee constituted (April 2016) by DTC to examine the report of HPC also concluded (May 2016) that buses were under the custody of TML when the fire started.

2. Audit noted that DTC authorities responsible for management of AMC did not ensure that TML had taken the required insurance cover for any of 2682 low floor buses under maintenance contract with TML. Even after this incident, TML has not taken insurance cover, rendering DTC vulnerable to the risk of incurring losses in such incidence, and there was no follow up by DTC in this regard. Besides, insurance cover for buses has cost to TML which they would have factored while quoting the price of AMC, and by not ensuring insurance cover for 2682 buses, the DTC extended undue benefit to TML equivalent to cost of insurance cover the latter could have saved.

[31] This was headed by Deputy Commissioner (South) and other two members of the committee were Joint Commissioner (Transport) and Deputy Chief General Manager (Mechanical), DTC.

[32] The latest time by which the bus has to be made available by the TML for use by the DTC was 8 AM for morning shift (Paragraph 46.5 read with 46.24). DTC was to inspect all the buses of depots for body conditions, assemblies etc. and TML was to be made responsible for any missing or lost items (Paragraph 46.30). The buses in the DTC depots were to be driven/handled by TML personnel only (Paragraph 46.32).

3. There were administrative delays and inaction on the part of DTC management in attending this case. The HPC report was available in July 2015 but DTC took nine months to obtain a copy of the report in April 2016 from Delhi Government for taking further action. Though, DTC considers TML as the custodian of buses in the depots under the Paragraph 46.20 of the AMC and was liable for repairing of burnt buses, it failed to initiate any action against TML as per Clause 46.7 (i)[33] of AMC - for non-repairing of these buses, instead it kept on requesting[34] TML for repairing the burnt buses. Consequently, even after a gap of more than two and a half years (January 2015 to June 2017) since the date of fire incident, the burnt buses could not be got repaired from TML.

4. TML refused to repair or make good the losses for want of the report of the HPC headed by Deputy Commissioner (South). Audit noted that despite persistent demand from TML, DTC furnished a copy of the enquiry report to TML only in October 2017.

The Management stated (June 2017) that they have sent the letters to TML to furnish details of insurance policies taken by them but their reply is awaited. Any loss because of damages shall be borne by the TML. Further course of action is under process. The reply is not tenable as DTC enquired about existence of insurance cover after the fire incident which they could have ensured immediately after signing the contract in October 2008 to safeguard their interest. DTC also failed to recover its losses out of AMC payments of ₹ 346.26 crore made to TML during April 2015 to March 2017 i.e. subsequent to the fire incident, and all 17 burnt buses are lying unrepaired for over two and half years.

Thus, due to inadequacy in contract management coupled with delayed action attributed to DTC management, DTC could not recover the losses from TML resulting from 17 burnt buses with depreciated value of ₹ 5.86 crore. Besides, due to non-availability of 17 buses, DTC has been suffering an annual loss of contribution[35] of ₹ 1.13 crore[36] and total loss up to June 2017 was

[33] Clause 46.7 (i)-Repair due to accidents because of the reason attributed to the defects/mechanical failure/fire of the bus shall be the responsibility of the contractor. Purchaser’s decision, regarding whether the accident is because of defects/mechanical failure or otherwise shall be final

[34] 25 May, 5 August, 11 September, 16 September 2015, 29 January, 29 February, 27 December 2016

[35] Revenue per KM less variable cost per KM.

[36] No. of buses: 17 x Average 188 KM per bus per day x Contribution of ₹ 9.675 for AC Low Floor buses per KM x Days from 01.01.2015 to 30.06.2017 which works out to ₹ 1.13 crore annually and ₹ 2.82 crore for two and half years. (Contribution source-Average of physical and financial results of DTC for 2015-16 (Actuals) and 2016-17 (provisional).

₹ 2.82 crore. Not ensuring insurance cover for 2682 buses means undue benefit extended to TML equivalent to cost of insurance cover.

The matter was referred (July 2017) to the Government; their reply was awaited (January 2018).

2.9 Avoidable payment of electricity charges

Failure to monitor the progress of deposit work assigned to the executing agency for development of Dwarka-VIII bus depot coupled with inadequate planning resulted in avoidable payment of electricity charges of ₹ 50.72 lakh.

Department of Transport (DoT), GNCTD sanctioned in July 2007 the construction of bus depot at Dwarka Sector-VIII for DTC for parking of buses during the Commonwealth Games (CWG)-2010 at an aggregate amount of ₹ 6.73 crore which was later revised to ₹ 9.31 crore. DTC entrusted the work to Public Works Department (PWD), as deposit work, in August 2007. The work included civil construction and setting of an electrical sub-station (ESS) at bus depot within 18 months.

PWD completed the civil works of depot in October 2009. The ESS work was awarded later (October 2009) by PWD which had not been completed till July 2017. As the execution of ESS could not be completed timely, DTC had to take temporary electric connection in July 2009 for the depot to make it operational in time for CWG event. Further, DTC was still operating the depot on temporary connection as of July 2017 which resulted in extra payment of electricity charges of ₹ 50.72 lakh (for 93 months) as power distribution companies charged 30 *per cent* extra for temporary electric connections over and above the normal tariff rate. The use of temporary electricity connection at Dwarka-VIII bus depot continues at the avoidable recurring cost of ₹ 1 lakh per month.

Total extra expenditure of ₹ 50.72 lakh incurred by DTC was avoidable due to the following reasons.

1) DTC did not monitor the progress of such an important work during the civil construction phase and as a result, they missed the fact that executing agency did not synchronize the award of civil and electrical work to ensure timely completion of bus depot i.e. 18 months from the date of assignment of deposit work.

2) DTC did not involve the power distribution company to seek its requirements while finalising the scope of work for the ESS. During construction of ESS facility, modifications were to be done as per power supply specifications and standards which further delayed its readiness.

The Government stated (December 2017) that DTC regularly followed up the matter with the executing agency for early completion of ESS. However, PWD has still not installed the electric substation equipment in the electric substation building due to their dispute with the contractor and Dwarka Depot-VIII is still running on temporary electric connection. The extra amount paid to DISCOM on account of temporary electric connection has been work out which comes to ₹ 48.84 lakh (May 2017) for Dwarka Depot-VIII. DTC will not bear the loss due to delay attributed on part of executing agencies and it has initiated recoveries from PWD. The reply is not tenable and should be seen in the light of the facts that they failed to track the progress of work until January 2009 when they realised that ESS work was not started. DTC has not signed any formal agreement for awarding the deposit work under which they could seek compensation or recovery of additional burden of electricity charges incurred by DTC due to delays attributable to the executing agency.

Thus, failure to monitor the progress of deposit work assigned to the executing agency for development of Dwarka-VIII bus depot coupled with inadequate planning resulted in avoidable payment of electricity charges of ₹ 50.72 lakh.

Department of Power

2.10 Follow up Audit on Performance Audit of Delhi Transco Limited

2.10.1 Introduction

2.10.1.1 To assess the economy, efficiency and effectiveness of operations of Delhi Transco Limited, a Performance Audit covering the activities of the organisation during the period 2007-08 to 2011-12 was conducted and included in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2012 - Government of National Capital Territory of Delhi (Audit Report No. 1 of the year 2013). The Audit Report was presented in the State Legislature on 2 April 2013. The Performance Audit had observed:

- delays in execution of major projects due to deficient planning and project management;
- Lack of synchronisation of activities;
- Non-achievement of targets of capacity addition;
- Delays in decision making, imprudent decisions and contracting affecting the operation and maintenance of sub-stations and lines;
- Inadequate disaster preparedness; and

- Deficiencies in procurement of materials and inventory.

The Performance Audit contained five recommendations and 48 observations out of which 34 were actionable.

2.10.1.2 Now, to assess the adequacy and effectiveness of actions taken on these 34 actionable observations – a follow up audit was conducted whose results are discussed below. The present status of actions taken on the recommendations and related audit observations has been categorised under three categories – ‘Insignificant’ or ‘No Progress’, ‘Partial Implementation’ and ‘Full Implementation’.

The Performance Audit has not been discussed by the Committee on Government Undertakings as of June 2017.

Audit findings

2.10.2 Implementation of audit recommendations/observations

The category wise status of implementation of 34 audit observations under five recommendations that were included in the Performance Audit Report is given below:

A) Insignificant or No Progress

Gist of observations made in earlier Audit Report	Recommendation made	Current status as informed by the Company	Audit findings/comments
1. Loss of ₹ 16.91 crore due to excess payment of Custom Duty on import of 220 KV Gas Insulated Sub-station (GIS) on account of payment of non-leviable Countervailing Duty (CVD). **(Para No. 7.7.7.1)**	Projects of transmission lines and Sub-stations are synchronized in a way to avoid any idling of equipment and funds.	The DTL stated that rules were silent about CVD exemption; it has not imported any such equipment after 2012; and would obtain expert advice and approach Customs Department as and when it will import such equipment.	The DTL has not imported any such equipment after 2012.
2. Non-procurement of Polymer Insulators for DTL’s	Installation of adequate numbers	The DTL stated that	In June 2017, Purchase Order has

220 KV Lines resulted in grid disturbances and infructuous expenditure of ₹ 0.23 crore in unwarranted procurement of porcelain type Anti Fog Insulators. **(Para No. 7.8.5.3)** To control the large number of tripping noticed in January 2010, December 2011 and January 2012, it was decided in February 2012 to procure Polymer Insulators and replace Porcelain Insulators on 220 KV transmission lines. It was noticed in audit that till 2012, these were not purchased and replaced as per the directions of Northern Regional Power Committee (NRPC)/Central Electricity Authority (CEA).	of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	procurement of Polymer Insulators for 220 KV transmissions system is under process.	been issued for supply of Polymer Insulator but order for Erection, Testing and Commissioning (ETC) of Polymer Insulators is still under process with the result porcelain type Insulators have not been replaced with Polymer Insulators.
3. Avoidable expenditure of ₹ 1.11 crore towards consultancy charges paid to PGCIL in procurement of Polymer Insulators for DTL's 400 KV transmission lines. **(Para No. 7.8.5.4)** To control the large numbers of tripping during the foggy conditions in Northern region, it was decided in 2008 to procure and replace the existing Porcelain Insulators on 400 KV transmission lines with Polymer Insulators. For this purpose, DTL procured Polymer Insulators through Power Grid Corporation of India Ltd. (PGCIL) in 2008-09 by paying consultancy charges (₹ 1.11 crore), which was not needed when DTL had full fledge Material Management and Store Division.			The Company has not procured any material from PGCIL after 2012, but there was delay in floating of NIT and award of Purchase Order for procuring Polymer Insulators as stated above.

4. Unscheduled Interchange Charges **(Para No. 7.9.5)** The gap in demand and supply position of energy leads to variation between actual generation or actual drawl and scheduled generation or scheduled drawl which is accounted through Unscheduled Interchange (UI) charges which State Load Despatch Centre (SLDC) worked out for each 15 minutes time block. The levy of UI charges acts as a commercial deterrent to curb over drawl or under injection during low frequency conditions. The UI charges collected are credited to a fund called UI Pool Account Fund. Audit pointed out that balance of ₹ 165 crore as on 31 March 2012 was lying in Pool Account Fund which was not utilised for any scheme for system improvement etc.	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated that SLDC is the only nodal agency for collection and disbursement of UI amount. The usage of the surplus money available in the UI Pool Account is to be decided by Delhi Electricity Regulatory Commission (DERC). SLDC has approached the DERC but their decision is awaited.	There was no utilisation of funds available in UI Pool Account for any scheme for system improvement while balance amount has increased to ₹ 453.24 crore (March 2017). Further, DTL has not pursued with DERC regularly after August 2013 (except in October 2017 after issue was raised by Audit) to get the approval of utilisation of available funds for upcoming transmission projects of strategic importance in Delhi.
5. Tariff Fixation **(Para No.7.10.3)** DTL had incurred Operation and Maintenance (O&M) expenses in excess of actually allowed by DERC during 2007-08 to 2011-12 with the result, there was under realization of O&M expenses to the extent of ₹ 22.43 crore which was borne by the Company from its own sources and there was a need to curtail these expenses.	Curtailing expenditure and recover its dues from DISCOMs to reduce dependence on borrowed funds.	The DTL stated that issue was challenged before Appellate Tribunal of Electricity (ATE) in 2011, however, ATE upheld the decision of DERC in 2013.	DTL has not controlled its O&M expenses between 2012-13 and 2016-17 and incurred ₹ 27.77 crore during this period in excess of that allowed by DERC which the company had to bear from its own sources. Even after ATE upheld the decision of DERC in 2013, the Company did not make efforts to curtail these expenses.
6. Delay in finalization of tenders **(Para No. 7.11.2.1)** There was significant delay in finalization of contract from	DTL may consider to initiate steps to ensure Projects of transmission lines and Sub-stations	The DTL stated that efforts have been made to reduce the time in finalisation of	The situation has not improved after 2012 as Material Management division finalised and awarded the 15

the date of floating of tender. The Company took six to 19 months from the date of floating of NIT against the time period of five months allowed in Purchase Policy of DTL.	are synchronised in a way to avoid any idling of equipment and funds.	tenders.	Purchase Orders in nine to 32 months in respect of transmission lines and Sub-stations scheme and 70 Purchase Orders in five to 11 months in respect of other material items after receipt of indents during 2015-16 to 2016-17.
7. Loss of ₹ 2.54 crore due to delay in disposal of damaged transformers **(Para No. 7.11.2.2)** DTL has been following the practice of declaring the transformers as scrap, once it was declared damaged beyond repair. Scrap Disposal Committee thereafter fixes reserve price of the damaged transformers which are then sold through e-auction. Audit pointed out that these transformers were disposed off with delays (up to 80 months) after considering reasonable time period of six months in the absence of any time frame prescribed. This has resulted in loss of ₹ 2.54 crore of interest on blocked funds.	DTL may consider to initiate steps to ensure Projects of transmission lines and Sub-stations are synchronized in a way to avoid any idling of equipment and funds.	The DTL stated that there were considerable delays but after following the Scrap Disposal Procedure, the delays have been curtailed. Disposal procedures would be streamlined once scrap disposal policy is approved.	The Scrap disposal policy has been approved in September 2017, however, time period during which the scrap material to be disposed off is still not incorporated in the said policy. Delays in scrap disposal was also reported in CAG Report of 2016. Even after that one transformer was disposed off (₹ 1.23 crore) in 2016-17 with delay of 26 months.
8. Delay in procurement of Nitrogen Injection Fire Prevention-cum-Extinguishing System (NIFPES) for installation in transformers **(Para No. 7.11.2.7)** DTL issued a purchase order to M/s SERGI in December 2010 against NIT invited in February 2010 for supply, installation and commissioning of 64 nos of NIFPES for 100 MVA transformer at 220 KV Sub-station. Another bidder filed a legal suit against M/s SERGI and obtained Court order in February 2010 preventing M/s SERGI from selling NIFPES to DTL. DTL was aware of this fact, but, still placed order on M/s SERGI, with the result, NIFPES were yet to be procured and installed	DTL may consider to initiate steps to ensure adequate Safety measures and Infrastructure for disaster management.	The DTL stated that matter is sub-judice in Delhi High Court against M/s SERGI and NIFPES were not procured so far.	DTL has not procured the NIFPES so far to install them along with 100 MVA transformers as per guidelines of CEA to prevent fire.

which were necessary for safety as per guidelines of CEA.			

B) Partial Implementation

Gist of observations made in earlier Audit Report	Recommendation made	Current status as informed by the Company	Audit findings/comments
1. Transmission network and its growth. **(Para No. 7.7.2)** The DTL has a target of 255.01 CKM of lines and 7420 MVA of transmission Capacity against which 87.75 CKM of lines and 2380 MVA of transmission capacity were added/augmented during 2007-08 to 2011-12. 2. Project management of transmission system **(Para No. 7.7.3 and 7.7.4)** There were delay ranging between 13 months and 60 months in major transmission line projects and delay ranging between 23 months and 64 months in Substation projects against the prescribed norms of completion of 28 and 24 months respectively from the date of approval of the project. Further incomplete line projects and Sub-station projects were delayed by 16 months to 64 months and 21 months to 78 months respectively as on 31 March 2012. The reasons for delays were i) delay in inviting NIT, ii) excess time taken in	The recommendation of Task Force of GoI and directions of CEA/DERC on Transmission Projects are to be followed.	The DTL stated that it has streamlined the process of formulation of scheme, tendering and execution considerably to ensure minimum time in formulation of schemes/works.	After 2012, DTL added 4610 MVA of transformation capacity and 173.373 CKM of lines against target of 9255 MVA of transformation capacity and 374.36 CKM of lines (50 and 46 respectively between 2012-13 and 2016-17. This shows that DTL failed to achieve the targets. Scheme/work of construction and commissioning of Transmission Lines (five Nos.) and Sub-stations (five Nos.) which were under execution as on 31 March 2012 have been successfully completed and commissioned though there was delay of seven months to 34 months. Sub-station (Lodhi Road) was partially commissioned in November 2014 which was scheduled to be fully completed in July 2017 with delay of 50 months. However, in respect of new schemes/works undertaken w.e.f. 2014-15, there is a partial improvement as delays have been curtailed to between one month and 19 months in respect of 15 Sub-station

evaluation of bids and process of award of turnkey projects iii) Delay in acquisitions of land, iv) Delay in arranging Right of Ways (RoW) permission from civil agencies.			projects (three of establishment of sub-stations and 12 of augmentation works) and seven cable link projects (three of line erection works and four of augmentation works) respectively. The reasons causing delays viz. tendering in inviting and processing of NIT and in award of PO/work orders and in grant of RoW permission etc. though still persist.
3. Blockage of funds due to non-synchronization of transmission lines and SS projects. **(Para No.7.7.6).** Lack of Planning resulted in non-synchronization of interconnected project activities of execution of a Sub-station and four transmission lines leads to blockade of funds to the extent of ₹ 287.09 crore as detailed below:	DTL may consider to initiate steps to ensure Projects of transmission lines and Sub-stations are synchronized in a way to avoid any idling of equipment and funds.		
4. Establishment of 400 KV GIS at East of Loni Road (Harsh Vihar) **(Para No.7.7.6.1).**		The DTL stated that it has taken due care for future projects in arranging lands in synchronization with award.	Sub-station has been successfully completed and commissioned though there was delay of 18 months. However, 15 new works/schemes were taken up w.e.f 2014-15 and the work was not held up after award of work due to land issue.
5. 220 KV 1000 sq. mm U/G XLPE cable link from Shalimar Bagh Sub-station to proposed Wazir Pur Industrial Area Sub-station (₹ 24.78 crore). **(Para No.7.7.6.3)**		DTL stated (June 2017) that it has streamlined the process of formulation of schemes, tendering and execution considerably since 2011 to ensure synchronization of	The link was commissioned but with further delay of 14 months (a total delay of 78 months). However, in new schemes/ works w.e.f. 2014-15, delays have been curtailed. Only in

		inter connected projects.	case of construction of Transmission Line between Vasant Kunj and R. K. Puram, Audit noted that the line is partially utilised as 220 KV Sub-station at R. K. Puram is still under construction.
6. 220 KV underground cum overhead transmission link between Maharani Bagh Sub-station and Gazi Pur Sub-station (₹ 6.97 crore). **(Para No. 7.7.6.4)**		The DTL stated that to minimize the period in obtaining approval etc., it has raised issue at various levels from time to time with agencies like Forest, I&FCD, P&T, CEA etc. LG office has also issued necessary orders/instructions to cooperate with DTL for expeditious clearance in the absence of dedicated corridors for these transmission schemes.	The said link was completed and commissioned but with further delay of 15 months from expected completion date (March 2013). Due to delay, the company has incurred an avoidable payment of price variation of ₹ 52.72 lakh.
7. Avoidable expenditure of ₹ 7.97 crore paid as consultancy charges to PGCIL **(Para No. 7.7.7.2)** DTL allotted the work of construction of eight bays at Maharani Bagh Sub-station (August 2005) to PGCIL as turnkey project with consultancy fees and service charging of 13.50 *per cent*. Audit observed that the DTL was doing the execution of same type of project works on turnkey basis themselves in 2005-06, Allotment of the same type of work to PGCIL has caused avoidable expenditure of ₹ 7.97 crore towards consultancy charges.	The recommendation of Task Force of GoI and directions of CEA/DERC on Transmission Projects are to be followed.	The DTL stated that it normally floats tenders for various GIS station on its own but in some cases where a decision is taken at the level of Ministry of Power, GoI/CEA to get the scheme executed through PGCIL.	The DTL has not made any procurement through PGCIL on its own after 2012 except awarding of schemes of transmission lines, Sub-station and associated work as directed by GoI/CEA for expeditious execution of capital works and strengthening of transmission system.

8. Performance of Transformer **(Para No. 7.8.2.1)** One transformer to four transformers had failed every year during the period of five years from 2007-08 to 2011-12 (13 transformers failed during five year period)	DTL may consider to initiate steps to ensure installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated (June 2017) that to reduce failure rate measures like periodical in house testing of transformers is carried out. Other measures taken include purchase of new transformers along with Nitrogen Injection Fire Prevention cum Extinguishing System (NIFPES) to prevent damage due to fire. It also stated that initial erection, testing and commissioning of transformer is now being carried out by Original Equipment Manufacturers (OEM) themselves.	There is improvement in failure rate of transformers as only nine transformers were failed out of 136 transformers between 2012-13 and 2016-17, out of which only seven were damaged during normal working life.
9. Voltage management **(Para No. 7.8.2.2)** As per CEA regulation, the transmission networks are required to maintain voltages between 420 KV and 380 KV for 400 KV Sub-stations and 245 KV and 198 KV for 220 KV Sub-stations. It was noticed that prescribed voltage level was not maintained which may affect the electric appliances of consumers. To stabilize the voltage according to demand and to protect the collapse of voltage, there was need to install adequate numbers of Capacitor Banks/Shunt Reactors**.** Further it was noticed that there was shortage of Capacitor Banks (7.98 *per cent* of the	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated that requirement is being worked out in consultation with PGCIL, CEA and other Stake holders.	The Company managed to substantially improve the voltage level after 2012 as maximum and minimum voltage were within prescribed limit at 220 KV and 400 KV Sub-stations except high voltage problem noticed at 400 KV Sub-stations. As per recent study conducted by CPRI there is no need of increasing installed capacity of Capacitor Banks. The position of damaged Capacitor Bank has improved from 7.98 *per cent* to 2.15 *per cent* in 2016-17 which has further helped in improving voltage profile, however, Shunt Reactor at 400 KV Sub-stations has not been installed so far.

installed capacity of 754.48 MVAR) on account of being damaged and shunt reactor were not installed in its transmission system.			
10. Bus Bar Protection Panel (BBPP) **(Para No. 7.8.2.3)** BBPP limits the impact of bus bar faults on entire power network which prevents unnecessary tripping. As per grid norms, BBPP is to be kept in service at all 220 KV Sub-station to maintain system stability during grid disturbance and faster clearance of fault. Audit highlighted that out of 28 Sub-stations, two Sub-stations were not provided BBPP, at two Sub-stations these were not working and at four Sub-stations, these outlived their life span of 25 years. So, the running of system without BBPP and on old/obsolete BBPP means the system was at risk.	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated that scheme for supply and ETC of 26 nos. of BBPP at various 400 KV and 220 KV Sub-stations has been approved and tender floated to replace the old and obsolete BBPP with Numerical BBPP for automation.	There is partial improvement as out of 35 Sub-stations, at one Sub-station, there is no BBPP installed, at two Sub-stations, these are not working and at three Sub-stations, these have outlived the useful life. DTL has also initiated action to replace old BBPP with new numerical BBPP for automation.
11. Management of Transmission System **(Para No. 7.8.3)** Regular and periodic maintenance of transmission system is of utmost importance for its uninterrupted operation and Government of India has prescribed certain techniques under best practices for maintenance of lines.	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated that it is now performing hotline maintenance through in house thermo vision scanning since 2013-14 and following other best practices for maintenance like CBM; Ten delta; DGA; CRM; DCRM; wet cleaning etc. It further stated that NRPC is also carrying Pollution	There is partial improvement as DTL is doing in-house Thermo Vision Scanning since 2013-14 apart from adopting some of other techniques which helped in improving system stability and availability of transmission system (99 *per cent*) but still some of the prescribed

Audit pointed out that DTL did not have Separate Hotline Maintenance Division and other best practices of transmission recommended by the Committee viz. hot line puncture, detection of insulators, preventive maintenance by using portable earthing hotlines tools, line washing, vibration measurement of the lines etc. were not being conducted in DTL.		Mapping on 12 major locations of DTL.	techniques viz. preventive maintenance by using portable earthing hotlines tools and vibration measurement of the lines are required to be adopted.
12. Grid Coordination Committee Meeting **(Para No. 7.9.4)** As per the Delhi Grid Code Coordination Committee Rules, 2008, Grid Coordination Committee (GCC) meeting should be held at least once in three months. Audit highlighted that meetings were not conducted regularly on quarterly basis and were held after a gap of about 12 months to 18 months as a result purpose of continuous supervision/monitoring and follow up action on system related issues was defeated.	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated that GCC meetings are now being conducted at regular intervals.	The DTL conducted three meetings in 2012-13, two meetings in 2013-14, one meeting in 2014-15, two meetings in 2015-16 and three meetings in 2016-17 against once in a year earlier.
13. Undue benefit extended to private DISCOMs (BRPL and BYPL) due to non-following the provisions of agreement resulting in non-recovery of long pending dues of over ₹ 700 crore. **(Para No. 7.10.4)**	Curtailing expenditure and recover its dues from DISCOMs to reduce dependence on borrowed funds.	The DTL stated that it has been regularly pursuing the matter with BRPL and BYPL directly as well as through GNCTD/DERC. It had also filed petition before ATE (January 2014) and the matter was also taken in	The outstanding dues recoverable from BRPL and BYPL have increased to ₹ 2269.97 crore (₹ 900.40 crore from BYPL and ₹ 1369.57 crore from BRPL) as on 31 March 2017 though DTL is

DTL raises monthly transmission bills for wheeling charges and other levies on DISCOMS (BRPL, BYPL, NDPL, NDMC and MES). Audit report highlighted that BRPL and BYPL were not regular in payment from October 2010 onwards and ₹ 705.70 crore (₹ 431.11 crore from BRPL and ₹ 274.59 crore from BYPL) were pending for recovery as on 31 March 2012.		Supreme Court (2014) along with some other issues with DISCOMS. The matter is pending and now regular hearings are going on till date.	pursuing regularly. The matter is also sub-judice in Honorable Supreme Court.
14. Physical verification of Stores **(Para No. 7.11.1)** The physical verification of Mehrauli Store was conducted upto 2009-10. Further DTL had not taken action to identify and dispose off the scrap/obsolete material.	Projects of transmission lines and Sub-stations are synchronized in a way to avoid any idling of equipment and funds.	The DTL stated that physical verification of Mehrauli Store for 2015-16 has been conducted while for 2016-17 it is under process.	Physical verification up to March 2016 has been conducted and DTL has sold scrap material regularly between 2012-13 and 2016-17.
15. Undue favour to supplier in the contract for procurement of ACSR Zebra Conductor and delay in initiating purchase at risk and cost of defaulting supplier **(Para No. 7.11.2.4)** DTL awarded (December 2009) order for procurement of 227 KM of ACSR Zebra Conductor. The contractor delivered only 56.345 KM of Conductor but no action was taken by DTL to procure balance quantity at risk and cost of party except encashment of performance guarantee of ₹ 19.36 lakh (October 2011).	Projects of transmission lines and Sub-stations are synchronized in a way to avoid any idling of equipment and funds.	The DTL stated that balance quantity of 170.655 KM has been procured at the risk and cost of first party.	The Company has procured the balance quantity at the risk and cost of first party and protected its interest fully by encashing the guarantee and not releasing payment against part supply made by the first party. However, final decision is yet to be taken in regard to finalization of total recovery for which committee has been formed (February 2017).

16. Non-recovery of ₹ 0.61 crore from a contractor in respect of procurement of material at risk cost **(Para No. 7.11.2.6)** DTL placed a purchase order on M/s Alpha (November 2009) for supply of material at a value of ₹ 1.62 crore, however, the material was not found acceptable during inspection and rejected by DTL. Later on DTL procured the material from another supplier at the risk and cost of first party at a value of ₹ 2.30 crore. DTL recovered only ₹ 7.30 lakh from first party by encashing bank guarantee and balance recovery of ₹ 0.61 crore was pending.	Projects of transmission lines and Sub-stations are synchronized in a way to avoid any idling of equipment and funds.	The DTL stated that matter of recovery of ₹ 0.61 crore towards purchase at risk and cost of M/s Alpha is sub-judice in Delhi High Court.	The matter is sub-judice in Delhi High Court since 2015.
17. Disaster Management for SLDC **(Para No. 7.12.1)** Back data of SLDC were stored at the same premises instead at separate back up site to prevent the damage in the event of disaster. 18. Disaster Management for Substations **(Para No. 7.12.2)** There was no Separate Disaster Management Centre/Cell existed in DTL. There was only Fire and Safety Cell existed since October 2009 with strength of only two persons. The training and mock drills etc. were conducted	Adequate Safety measures and Infrastructure for disaster management.	The DTL stated that following remedial action has been taken: i) All new transformers are procured along with NIFPES. ii) Purchased 18 High Pressure Water Mist Fire Extinguishers in April 2015 and another requirement is under process of procurement. iii) Strengthening of Fire and Safety Cell by deputing four more personnel is under process.	The setting up of backup SLDC (control data) Scheme was completed in December 2015. DTL had not established separate Disaster Management Cell so far. However, there is partial improvement as all 51 new transformers were procured alongwith NIFPES after 2012-13 onwards. This preventive system has not been procured and

occasionally only at eight Sub-stations. DTL has not provided NIFPES along with 100 MVA transformers at 220 KV Sub-stations to prevent fire etc as per guidelines of CEA. Further even other safety measures such as fire wall, oil pits and sand buckets were not provided at 15, five and five Sub-stations respectively out of 28 Sub-stations. There were four incidents of fire during the period 2007-08 to 2012-13 which resulted in loss of ₹ 2.31 crore.			installed alongwith old transformers yet. Instead DTL procured and provided other type of Fire Extinguisher for various sub-stations of DTL (18 numbers). Further there has been improvement noticed in taking other safety measures as firewall, oil pits and sand buckets were now available at 24 numbers, 33 numbers and 36 numbers of Sub-stations respectively (Total 39 Sub-stations). Moreover, no fire incident occurred during 2012-13 to 2016-17 which helped in improving efficiency and curtailing losses.
19. Internal controls and internal audit **(Para No. 7.13.2)** DTL did not have its own Internal Audit Manual prescribing the scope, coverage and periodicity etc. The work of internal audit was outsourced to private Charted Accountants from 2007-08. The intenal audit was not completed upto 2010-11. 20. Audit Committee **(Para No. 7.13.3)**	Adequate Safety measures.	The DTL stated that internal audit is being conducted on quarterly basis and has completed audit upto September 2016 covering all the divisions.	The DTL conducted four, three, four, three and four Audit Committee Meetings in 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 respectively. Further, the internal audit reports up to first half of 2016-17 were discussed in these Audit Committee Meetings but attendance of Internal Auditor in Audit Committee Meeting had not been improved much as he attended only eight of 18 meetings held during 2012-13 to 2016-17. Further, Internal Audit

Audit highlighted delays in submission/discussion of internal audit report in Audit Committee Meetings and Internal auditor attended only seven meetings out of 18 such meetings.			Manual had not been formulated so far.

C) Full Implementation

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Company	Audit findings/comments
1. Avoidable expenditure of ₹ 24.86 crore on use of HDPE pipes in excess of ordered quantity due to delay in execution of transmission lines. **(Para No. 7.7.5)**	The recommendation of Task Force of GoI and directions of CEA/DERC on Transmission Projects are to be followed.	The DTL stated that for future schemes, the planning department of DTL is ensuring quantity of pipes keeping in view the norms of civil works and site conditions.	After 2012, DTL used pipes according to Bill of Quantities (BoQ) mentioned in NIT/turnkey project/scheme under per Km rate of transmission lines. No such case has now come to notice in Audit.
2. Blockage of funds due to non- synchronisation of transmission lines and SS projects. **(Para No.7.7.6).** 220 KV 1000 sq. mm U/G XLPE cable link (i) Mundka to Peera Garhi Sub-station and (ii) Peera Garhi to Wazir Pur Industrial Area Sub-station (₹ 102.18 crore). **(Para No.7.7.6.2)**	DTL may consider to initiate steps to ensure Projects of transmission lines and Sub-stations are synchronised in a way to avoid any idling of equipment and funds.	DTL stated (November 2017) the issue of foreign bidder having project office in India has now included in Instructions to Bidder (ITB) document of the company.	DTL did not award any work on turnkey basis to any foreign bidder after 2012, however it had incorporated the said clause in its latest ITB.
3. Transmission Losses **(Para No. 7.8.4)** The transmission losses were ranged between 1.21 *per cent* and 1.59 *per cent*	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel	The details of transmission losses for 2012-13 to 2016-17 have been provided by the	The Company managed to reduce transmission losses during 2013-14 to 2016-17 and were within target of

during 2007-08 to 2011-12 against the norms of 0.95 *per cent* allowed by DERC which resulted into loss of 503 MUs valuing ₹ 10.54 crore.	to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	DTL.	0.95 *per cent* which has been achieved by managing and running the transmission network at about 99 *per cent* availability.
4. Grid discipline by frequency management **(Para No. 7.9.2)** Audit report highlighted that SLDC (October 2008) could not control the over drawl of power under low frequency regime in Delhi grid system for which Central Electricity Regulatory Authority (CERC) levied penalty of ₹ 2.5 lakh.	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated that DERC has allowed the penalty while truing up of expenses of SLDC in 2013. The discipline of grid has also improved due to various initiatives taken by CERC to control over drawl and under drawl of energy.	The CERC/DERC had not levied any penalty on DTL during 2012-13 to 2016-17 for any grid indiscipline.
5. Backing Down Instructions (BDI) **(Para No. 7.9.3)** SLDC had not maintained any separate record for compliance of BDIs by generating companies and also for levying penalties for the same. In the absence of which the purpose of issuing BDI was defeated.	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	The DTL stated that Regional Load Despatch Centre (RLDCs) are maintaining the generation schedule for Interstate Generating Stations (ISGS) and SLDC are maintaining generating schedule on real time basis for preparation of Monthly Energy Accounts i.e. all the scheduling/backing down instructions are done through web based module.	All the scheduling of Power in Delhi system is now being maintained on real time basis and all the instructions are controlled through web based module and can be viewed any time for accounting purpose.
6. Energy Accounting and Audit **(Para No. 7.9.6)** DTL has not installed	Installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar	The DTL stated that audit meters have now been installed at	The audit meters have now been installed at

interface meters for transmission utility at the incoming point of the energy received from central grid instead and depends on meters installed by PGCIL for energy accounting. DTL has provided audit meters on 147 out of 230 outgoing DISCOMS feeder from DTL's 66/33 KV Sub-stations.	Protection Panel to protect the Lines and Sub-stations to maintain system stability during grid disturbances and to reduce transmission losses.	remaining outgoing DISCOM feeders.	remaining feeders.

2.10.3 Conclusion

- The major projects of erection and commissioning of lines and substations which were under execution as on 31 March 2012 were successfully completed and commissioned though there was further delay of seven months to 34 months. Delays have been curtailed to between one month and 19 months and synchronisation has improved (except one case of underutilisation of cable link work) in respect of new major projects undertaken w.e.f. 2014-15, however, main reasons causing delays viz. inviting of notice inviting tenders (NIT) and award of orders; right of way (ROW) permission etc. still persist.

- The DTL failed to achieve the targets of capacity addition during 2012-13 to 2016-17 of transformation and transmission lines by 50 *per cent* and 54 *per cent* respectively, though deficit of achievement of targets has been curtailed as it was 68 *per cent* and 66 *per cent* respectively, during review period.

- The operation and maintenance improved which led to reduction in transmission losses from average of 1.40 *per cent* (range 1.21 to 1.59 *per cent*) during 2007-08 to 2011-12 to 0.92 *per cent* during 2012-13 to 2016-17 (range 1.15 to 0.70 *per cent*); improvement in voltage level at 220 KV; lesser failure of transformers and 99 *per cent* availability of transmission capacity.

- There has been improvement under disaster management. DTL started establishing new sub-stations and procuring new transformers along with NIFPES and provided sand buckets, firewall and oil pits at more sub-stations. DTL, however, failed to install NIFPES along with old transformers.

- Deficiencies persist in system of procurement and inventory control as delays have been noticed in processing of NIT and award of purchase orders.

Thus, out of 34 actionable observations under five recommendations, there were full implementation in case of six observations, partial implementation in respect of 20 observations and insignificant progress in regard to eight observations of the performance audit report. Hence, inadequacies highlighted in the earlier report on the functioning of the DTL have improved partially and significant work remains to be done to implement the audit recommendations fully.

The matter was referred to the Government (August 2017); their reply was awaited (January 2018).

New Delhi	**(SUSHIL KUMAR JAISWAL)**
Dated: 19 March 2018	**Accountant General (Audit), Delhi**

Countersigned

New Delhi	**(RAJIV MEHRISHI)**
Dated: 22 March 2018	**Comptroller and Auditor General of India**