

Chapter 7
Internal Control Mechanism

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Internal Control Mechanism was deficient. There were inefficient managerial controls and lack of accountability. Audit noticed indecisiveness in finalising the tenders for purchase of new buses, weak operational control, lack of coordination amongst divisions, lack of follow up with debtors, delay in statutory compliances, etc., leading to losses to the Corporation.

7.1 Introduction

An effective Internal Control Mechanism is an integral process within an entity which provides reasonable assurance of economical, efficient and effective operations and adequate safeguards for entity's resources against loss. Internal Control must be properly designed and implemented to be useful in achieving the organisations Strategic, Operating, Compliance and Reporting objectives.

7.2 Internal Audit

The Corporation has an Internal Audit wing which confined itself mainly to Establishment matters. Audit of Operational and Financial matters was entrusted to a firm of Chartered Accountants which submitted its Audit Report to the Managing Director of the Corporation.

It is seen that the scope of audit of Chartered Accountants/Internal Audit wing was mainly confined to Establishment issues, review of contracts, financial matters and compliance to AMC conditions, etc. However, due to restricted scope of work, Internal Audit failed to address larger Operational issues like not preparing of plans, not fixing of Depot wise Operational and Financial targets and their achievement.

There was huge pendency of Audit Objections (2015-22), with 7,116 Audit Objections outstanding out of the 32,881 raised. Further, in the Internal Audit carried out by the CA firm for the year 2021-22, no Objection was settled out of the 507 Objections raised. Owing to the size of the Corporation and the financial crisis being faced by the Corporation, it becomes imperative to address all the issues raised by Audit at the earliest.

The Management accepted the Audit Observation and stated that pending observations have reduced from 7,116 to 4,305 as on 31 March 2023.

Recommendation 7.1: The Corporation should take timely action for disposal of huge pendency of Audit objections.

7.3 Audit Committee Meeting

The Corporation Board inter-alia, resolved (2007) that the Audit Committee of the Corporation should endeavor to meet once in every quarter. The Board reconstituted the Audit Committee (2009) for conducting the meetings on quarterly basis. However, only six meetings were held from February 2007 and the last meeting was held in December, 2015.

It was decided by the Management (17 February 2021) that all the important matters of the Corporation relating to Policy or Finance were being monitored/reviewed from time to time by the Government through the Transport Department being Administrative Department of the Corporation hence, Audit Committee system was discontinued in February 2021 after the approval of MD.

Audit observed that Audit Committee is an important mode of decision making in various key matters, comprising of members of Planning and Financial Department of GNCTD also, who may have independent and critical look over the functioning of the Corporation. Not holding of meetings of the Audit Committee and discontinuance of the Committee without approval of the Board, rendered the functioning of the Corporation vulnerable as the oversight function of the Audit Committee was dispensed with.

The Management accepted the Audit Observation.

Recommendation 7.2: The Corporation should continue the practice of holding of Audit Committee Meetings at regular intervals.

7.4 Other deficiencies in Internal Control

The instances which highlighted the deficiencies in the Internal Control Mechanism, regarding Operational and Regulatory functions, are as detailed below:

- There was indecisiveness in finalising Tenders for purchase of new buses which were required to keep adequate bus fleet on road. This led to overage fleet plying on the roads leading to reduction in Operating parameters and an increase in the Expenditure incurred by the Corporation.
- Fuel efficiency by Low Floor Buses not maintained, even when these were under AMC/warranty and lack of penal action against the service providers points towards weak Internal Control.
- Operational Statistics were being prepared by the Corporation for each month indicating the Operational Performance of the Corporation for that month. However, it was seen in Audit that the same were not being

discussed at Board Level, in the absence of which, no plan was prepared/corrective action was taken to enhance the productivity. The Management stated (May 2023) that Operational Statistics were discussed in the Board meetings as and when any reference was required. The reply is not acceptable as the statistics were never discussed in the Board meetings during the audit period, except in one meeting (27 December 2016) wherein, a selective summary of operational data of six months was placed for information only.

- During the period of seven years from 2015-16 to 2021-22, the post of CMD/MD was held by eight different incumbents for periods ranging from one month to 23 months depriving the Corporation of the benefits of continuity and steady leadership required for accountability and accomplishment of the Organizational Objectives. The Management stated (May 2023) that matter pertains to GNCTD. However, reply of the Department was awaited (May 2023).
- Provisions of CPWD Manual such as prior sanction of the Competent Authority for Extra or Substituted items, were not being complied with in Works. The same were also objected to by the Finance Wing of the Corporation while giving post facto approval.
- Lack of Internal communication between Publicity Division and Depot & Accounts division led to outstanding claims against M/s Rose Advertising Private Limited (RAPL) in contract for display of advertisement and maintenance /upkeep of BQS/Time Keeping Booths, getting time barred and eventually leading to a loss of ₹ 1.74 crore. Despite being a persistent defaulter, the Corporation again entered into a contract with M/S RAPL for Bus Body Wrap in 2018 which was again defaulted by the firm and the contract was terminated in January 2020, before the completion of contract period (December 2023). The Management accepted (May 2023) the Audit Observation and stated that Contractor had been blacklisted after default in 2020.
- The Corporation had awarded the contract for display of advertisement on Bus Queue Shelters/Time Keeping Booths to seven¹ firms in the year 2004 and 2005. As per the agreement, the Contractor/Advertiser was to pay Advertisement Tax or any other Tax directly to the authorities and this amount would be in addition to the License Fee. Service Tax on leasing out of space and time for advertisement became applicable w.e.f.

¹ 1. M/s Shivaai Industries Pvt. Ltd., 2. M/s International Avenues, 3. M/s Satish Chand Rajesh Kumar Pvt. Ltd., 4. M/s Shree Agresen Advertiser, 5. M/s Hindustan Construction Corp. 6. M/s Pioneer Public Corp. and M/s Selvel Media Ltd.

1 May 2006. In order to collect Service Tax, the Corporation was required to obtain a Service Tax Registration number.

The Corporation obtained Service Tax Registration number in April 2008, after delay of almost two years. Service Tax Department issued three show cause notices to the Corporation during 14 January 2008 to 01 August 2008 regarding non-payment of Service Tax. Consequently, the Corporation raised bills of ₹ 7.19 crore for the dues of Service Tax for the period from May 2006 to March 2008 on all the seven firms. Against the demand of ₹ 7.19 crore, these seven firms claimed that they had deposited ₹ 2.13 crore on this account to the Service Tax Authorities. Accordingly, the Corporation paid balance Service Tax of ₹ 5.06 crore (₹ 7.19 crore- ₹ 2.13 crore).

The Service Tax Department rejected (2019) claims amounting to ₹ 2.13 crore deposited by the firms on the ground of unavailability of evidence of deposit of the amount by the firms. Later, this matter was settled by payment of ₹ 1.28 crore under Sabka Vishwas Scheme -2019 of the Service Tax Department. The Penalty/Interest was also waived off under the Scheme.

Thus, failure of the Corporation in timely obtaining of Service Tax registration number and recovering Service Tax from the firms resulted in payment of Service Tax of ₹ 6.34 crore out of its own sources.

The Management stated (May 2023) that amount could not be realized from M/s Shivaai Industries (P) Ltd. & M/s International Avenue and matter is sub-judice pending for decision with Hon'ble High Court, Delhi.

- On the request of Delhi Tourism and Transportation Development Corporation (DTTDC), the Corporation provided parking and maintenance facilities for 14 number of HOHO buses in the Corporation Depots from August 2010 to October 2015. However, no agreement in this regard was entered into by the Corporation and DTTDC. In the absence of an agreement, the Corporation could not claim any Parking charges, Electricity charges and Water charges from DTTDC. The Corporation had written off parking charges of ₹ 1.83 crore in 2018-19 whereas Electricity and Water charges amounting to ₹ 9.33 lakh were outstanding (May 2023). The Management accepted (May 2023) the Audit Observation and stated that the matter had been followed up with the DTTDC for recovery of ₹ 9.33 lakh.

Thus, Internal Control mechanism was deficient as there were inefficient Managerial Controls and lack of Accountability which eventually led to losses to the Corporation.



New Delhi

(RAJIV KUMAR PANDEY)

Dated: 8 November 2024

Principal Accountant General (Audit), Delhi

Countersigned



New Delhi

(GIRISH CHANDRA MURMU)

Dated: 12 November 2024

Comptroller and Auditor General of India

