

Chapter - VI

Government Commercial and Trading Activities

Overview of Government companies and Statutory corporations

6.1 Introduction

As on 31 March 2008, there were nine* Government companies (all working companies) and two Statutory corporations as against ten Government companies (all working companies) and two Statutory corporations (all working) as on 31 March 2007 under the control of the Government of National Capital Territory (NCT) of Delhi. One company viz. Delhi Integrated Multi-Modal Transit System Limited ceased to be a Government company during the year 2007-08. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Table 6.1: Audit arrangements of Statutory corporations

Sl. No	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Delhi Transport Corporation (DTC)	Section 33(2) of the Road Transport Corporations Act, 1950	sole audit by the CAG
2.	Delhi Financial Corporation (DFC)	Section 37(6) of the State Financial Corporations Act, 1951	audit by Chartered Accountants and supplementary audit by the CAG

The Government of NCT of Delhi had constituted the Delhi Electricity Regulatory Commission and its audit is conducted by the CAG under Section 104(2) of the Electricity Act, 2003.

* Delhi State Mineral Development Corporation limited (DSMDC) has been merged with Delhi State Industrial & Infrastructure Development Corporation Limited (DSIIDC) with effect from 27 June 2007. In the absence of information regarding completion of formalities with Registrar of Companies (ROC)/ striking of the name of DSMDC by the ROC, and non-availability of merged accounts of DSIIDC, the DSMDC has been shown as a separate Company.

6.2 Working Public Sector Undertakings (PSUs)

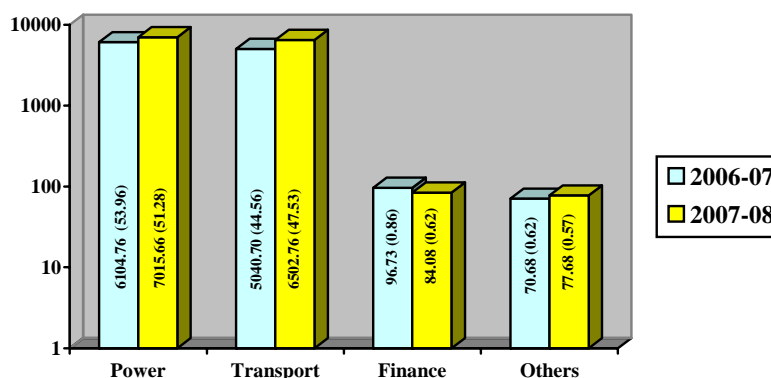
6.2.1 Investment in Working PSUs

As on 31 March 2008, the total investment in 11 working PSUs (nine Government companies and two Statutory corporations) was Rs. 13,680.18* crore (equity: Rs. 4,679.86 crore, share application money Rs. 1,142.71 crore and long term loans[§] Rs. 7,857.61 crore) as against a total investment in 12 working PSUs (ten Government companies and two Statutory corporations) of Rs. 11,312.87 crore (equity: Rs. 841.48 crore, share application money: Rs. 19 crore and long term loans: Rs. 10,452.39 crore) as on 31 March 2007. The analysis of investment in working PSUs is given in the following paragraphs.

6.2.2 Sector-wise investment in working Government companies and Statutory corporations

The investment (equity and long terms loans) in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2007 are indicated in the bar chart:

Amount: Rupees in crore
(Figures in bracket indicate percentage of investment)
Total investment as on 31 March 2008 and 31 March 2007



Source: Compiled from the information as provided by the PSUs

* Delhi State Mineral Development Corporation Limited (DSMDC) has been merged with Delhi State Industrial & Infrastructure Development Corporation Limited (DSIIDC) with effect from 27.6.2007. However, both the companies have not finalised their accounts for the year 2007-08 so far. Government funds of Rs. 3.18 crore on account of equity in DSMDC have been included in the amount of investment in working PSUs.

§ Long terms loans mentioned in para 6.2.1, 6.3.1 and 6.3.2 are excluding interest accrued and due on such loans.

6.3.1 Working Government companies

The investment in working Government companies at the end of March 2007 and March 2008 was as follows:

Table 6.2: Investment in working Government companies
(Amount: Rupees in crore)

Year	Number of companies	Equity	Share application money	Loan	Total
2006-07	10	711.60	6.00	5465.15	6182.75
2007-08	9	4160.48*	1141.85	1791.01	7093.34

Source: Compiled from the information as provided by the companies

As on 31 March 2008, the total investment of working Government companies comprised 74.75 per cent of equity capital and 25.25 per cent of loans as compared to 11.61 per cent and 88.39 per cent respectively as on 31 March 2007. The change in percentage can be attributed to conversion of loans into equity and introduction of equity by the State Government.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Appendix-6.1**.

6.3.2 Working Statutory corporations

The investment in Statutory corporations at the end of March 2007 and March 2008 was as follows:

Table 6.3: Investment in working Statutory corporations
(Rupees in crore)

Name of corporation	2006-07		2007-08	
	Capital [∇]	Loan	Capital [∇]	Loan
Delhi Transport Corporation	117.00	4916.39	494.30	6008.46
Delhi Financial Corporation	25.88	70.85	25.94	58.14
Total	142.88	4987.24	520.24	6066.60

Source: Compiled from the information as provided by the corporations

* Delhi State Mineral Development Corporation Limited (DSMDC) has been merged with Delhi State Industrial & Infrastructure Development Corporation Limited (DSIIDC) with effect from 27.6.2007. However, both the companies have not finalised their accounts for the year 2007-08 so far. Government funds of Rs. 3.18 crore on account of equity in DSMDC have been included in the amount of investment in working Government companies.

[∇] including share application money.

As on 31 March 2008, the total investment in working Statutory corporations comprised 7.90 per cent of equity capital and 92.10 per cent of loans as compared to 2.79 per cent and 97.21 per cent respectively as on 31 March 2007.

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Appendix-6.1**.

6.3.3 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the Government of NCT of Delhi in respect of the working Government companies and working statutory corporations are given in **Appendices-6.1** and **6.3**.

The budgetary outgo in the form of equity capital and loans and grants/subsidies from the Government of NCT of Delhi to the working Government companies and working Statutory corporations for the last three years ending 31 March 2008 are given below:

Table 6.4: Budgetary outgo to Government companies and Statutory corporations

(Rupees in crore)

	2005-06				2006-07				2007-08			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	1	1.81	-	-	2	8.30	-	-	3	990.04	1	377.30
Loans given from budget	4	416.34	1	981.51	3	93.15	1	883.51	2	130.71	1	1092.07
Grant	-	-	-	-	2	150.71	1	1.11	2	30.29	1	46.75
Subsidy towards Projects/ Programmes/ Schemes	1	0.66	1	130.67	-	-	1	57.60	1	0.16	1	19.78
Total	4*	418.81	1*	1112.18	6*	252.16	1*	942.22	6*	1151.20	1*	1535.90

Source: Compiled from the information as provided by the PSUs.

*These are the actual numbers of companies/corporations which have received budgetary support in the form of equity, loans, grants and subsidies from the Government of NCT of Delhi during the respective years.

During the year 2007-08, the Government of NCT of Delhi had not given guarantees against the loans obtained by any of the Government companies or Statutory corporations. During the year the Government of NCT of Delhi had converted the power reform loan of Rs. 3,452 crore of Delhi Transco Limited into equivalent equity share capital of the Company.

6.3.4 Finalisation of accounts by working PSUs

The accounts of Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of the respective Acts.

Out of nine working Government companies and two Statutory corporations six Government companies and two Statutory corporations had finalised their accounts for the year 2007-08 within the stipulated period. During October 2007 to September 2008, three[#] Government companies finalised five accounts and one Statutory corporation finalised one account for previous year. The accounts of two Government companies were in arrears for the periods ranging from one to eight years as on 30 September 2008 as detailed below:

Table 6.5: Arrears in accounts

Sl. No.	Number of working PSUs		Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial No. of Appendix-6.2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	2000-01 to 2007-08	8	3	-
2.	1	-	2007-08	1	1 ^ψ	-

[#] *Delhi State Industrial & Infrastructure Development Corporation Limited, Delhi State Mineral Development Corporation Limited and Delhi SC/ST/OBC/Minorities/Handicapped Financial and Development Corporation Limited*

^ψ Excluding the accounts of Delhi State Mineral Development Corporation Limited for the period from 1.4.2007 to 27.6.2007.

6.3.5 Investment made by State Government in PSUs whose accounts are in arrears

The Government of NCT of Delhi had invested Rs. 17.56 crore (equity: Rs. 8.81 crore, loan: Rs. 2.49 crore, grants: Rs. 4.73 crore and subsidy: Rs. 1.53 crore) in one PSU during the years for which the accounts have not been finalised as detailed in **Appendix-6.4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investment and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in the PSU remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed time to time by the Audit, of the arrears in finalisation of accounts, no remedial measures had been taken by Delhi SC/ST/OBC/ Minorities/ Handicapped Financial & Development Corporation Limited as a result of which the net worth of this PSU could not be assessed in audit.

6.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest accounts are given in **Appendix-6.2**. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts have been finalised, are given in **Appendices-6.5** and **6.6** respectively.

According to the latest finalised accounts of nine[∇] Government companies and two Statutory corporations, three companies and one Corporation had incurred an aggregate loss of Rs. 127.67 crore and Rs. 1,222.98 crore respectively while six companies and one corporation earned an aggregate profit of Rs. 195.62 crore and Rs. 8.11 crore respectively.

[∇] Including Delhi State Mineral Development Corporation Limited.

Working Government companies

6.4.1 Profit earning working companies and dividend

Out of six companies, which finalised their accounts for the current year, four[⊗] companies earned a profit of Rs. 177.47 crore and declared a dividend of Rs. 29.16 crore. One[∅] Government company which finalised its accounts for previous year by 30 September 2008 earned an aggregate profit of Rs. 18.03 crore and declared dividend of Rs. 1.28 crore.

6.4.2 Loss incurring working Government companies

One[≡] loss incurring working Government company had accumulated losses aggregating to Rs. 1,349.34 crore which exceeded its paid up capital of Rs. 0.05 crore.

Working Statutory corporations

6.4.3 Profit earning Statutory corporations and dividend

Both the Statutory corporations had finalised their accounts for the year 2007-08. One Statutory Corporation viz. Delhi Financial Corporation earned a profit of Rs. 8.11 crore and declared dividend of Rs. 5.42 lakh.

6.4.4 Loss incurring Statutory Corporation

One Statutory Corporation viz. Delhi Transport Corporation which finalised two accounts for the years 2006-07 and 2007-08 by 30 September 2008, had accumulated losses aggregating to Rs. 6,186.26 crore which exceeded its paid up capital of Rs. 494.30 crore by more than 12 times.

Despite poor performance and complete erosion of its paid up capital, the Government of NCT continued to provide financial support to the Corporation in the form of further loans and subsidies. The financial support so provided by the Government of NCT by way of equity, loans, grants and subsidies during 2007-08 was Rs. 377.30 crore, Rs. 1,092.07 crore and Rs. 46.75 crore and Rs. 19.78 crore respectively.

[⊗] *Delhi State Civil Supplies Corporation Limited, Delhi Tourism and Transportation Development Corporation Limited, Pragati Power Corporation Limited and Delhi Transco Limited.*

[∅] *Delhi State Industrial & Infrastructure Development Corporation Limited*

[≡] *Delhi Power Company Limited.*

6.5 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in **Appendix-6.7**.

6.6 Return on capital employed

As per the latest finalised accounts, the capital employed* worked out to Rs. 1,574.37 crore in nine# companies and the total return♦ thereon amounted to Rs. 536.67 crore as compared to total return of Rs. (-) 83.82 crore in the previous year. Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts worked out to Rs. 713.98 crore and Rs. (-) 381.59 crore respectively against the total return of Rs. (-) 377.56 crore in the previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Appendix-6.2**.

6.7 Status of placement of Separate Audit Reports of Statutory corporations in the Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG in the Delhi Legislative Assembly by the Government as on 30 September 2008:

Table 6.6: Placement of SARs in the Legislature

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Delhi Transport Corporation	2005-06	2006-07	17.04.2008
2.	Delhi Financial Corporation	2006-07		

* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

Including Delhi State Mineral Development Corporation Limited.

♦ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

6.8 Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

During the period from October 2007 to September 2008, the accounts of eight Government companies and two Statutory corporations were selected for audit. The net impact of the important audit observations on the working results of these PSUs was as follows:

Table 6.7: Decrease/ increase in profit/loss as a result of audit by the CAG

Details	Working Government companies		Working Statutory corporations	
	No. of accounts	Rupees in lakh	No. of accounts	Rupees in lakh
Decrease in profit	1	172.00	-	-
Increase in loss	1	328.78	1	187.00
Decrease in loss	1	176.00	1	173.00
Errors of Classification	1	1752.00	1	489.00

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above Government companies and Statutory corporations are mentioned below:

Errors and omissions noticed in case of Government companies

6.8.1 Comments by the Statutory Auditor

Delhi Power Company Limited (2007-08)

- Loans and advances of Rs. 614.05 crore and sundry debtors relating to cases under litigation and Government connections of Rs. 423.46 crore taken over from erstwhile Delhi Vidyut Board are doubtful of recovery and need to be provided for, thus overstating loans and advances and sundry debtors by that amount.

Indraprastha Power Generation Company Limited (2007-08)

- Provision for doubtful recoveries from Haryana Vidyut Prasaran Nigam Limited was understated by Rs. 11.06 crore towards recoveries outstanding for more than three years.

Delhi State Industrial & Infrastructure Development Corporation Limited (2006-07)

- The ground rent and maintenance charges of Rs. 1.24 crore received by the Company are a part of income but have not been shown under the Profit and loss account. As a result Profit of the Company is understated by Rs. 1.24 crore.

- The Company has shown a sum of Rs. 10.99 crores as FDR/CDR in hand, received as security deposit from contractors, under the cash and bank balances. However, these FDRs do not represent the cash and bank balances of the Company and should be shown separately as Security Deposits from contractors under the head current assets.

6.8.2 Comments during Supplementary Audit

Delhi SC/ST/OBC/Minorities/Handicapped Financial & Development Corporation Limited (1999-2000)

- The Company had not made provision for bad debts of Rs. 1.44 crore towards outstanding loan against loanees under DLY taxi scheme which was to be recovered upto 2000-01. Non provision thereof has resulted in understatement of loss and overstatement of loans and advances by Rs. 1.44 crore.
- Other income was overstated by Rs. 1.22 crore on account of interest earned on unspent Grant-in-Aid. As per the conditions of sanction order, the unspent Grant is required to be refunded to Government of NCT of Delhi. The interest earned has been treated as revenue, which has resulted in understatement of Grant and Loss by Rs. 1.22 crore for the year 1999-2000. Cumulative impact of the above was understatement of Grant-in-Aid and overstatement of accumulated profit and loss account by Rs. 9.25 crore up to March 2000.
- Cash and bank balance includes a sum of Rs. 1.06 crore on account of interest accrued on fixed deposits in banks which should have been Rs. 2.82 crore as per audit calculations. Due to understatement of interest accrued, loss for the year was overstated and cash and bank balances had been understated by Rs. 1.76 crore.
- The Company allotted and issued 16.52 lakh shares of Rs. 100 each but the same had not been accounted for in the books of accounts. Non accountal of shares has resulted in understatement of issued share capital by Rs. 16.52 crore and overstatement of share application money pending allotment to the same extent.
- The annual financial statement of the Company for the year 1999-2000 was not reviewed by the audit committee as required under section 292-A of the Companies Act, 1956.

Delhi State Industrial and Infrastructure Development Corporation Limited (2006-07)

- Liabilities of Rs. 1.22 crore towards revision of rent were not provided in the accounts, which resulted in overstatement of profit by Rs. 1.22 crore.

Errors and omissions noticed in case of Statutory corporations

6.8.3 Comments of the Statutory Auditors

Delhi Financial Corporation (2007-08)

- Government of NCT of Delhi in the year 2003 had granted Rs. 47.66 lakh towards interest subsidy for replacing fuel buses and other automobiles with CNG buses/automobiles payable to the borrower. The subsidy was neither adjusted nor refunded.

6.8.4 Comments during Supplementary Audit/Sole Audit

Delhi Transport Corporation (2006-07)

- In the absence of the actuarial valuation for leave encashment and gratuity as per Accounting Standard 15, the adequacy of the provisions made on these accounts could not be assessed in audit.
- The pay and allowances amounting to Rs. 4.89 crore of Ministerial and Civil Engineering Division staff were shown as paid on 31 March 2007 though the same were actually paid in April 2007. This had resulted in understatement of current liabilities and bank balance by Rs 4.89 crore each.
- Income for the year was understated by Rs. 1.73 crore due to accountal of monthly maintenance charges recovered from the advertisers for maintenance of the Bus Queue Shelters as current liabilities instead of non operating income.
- The recognition of interest as recoverable on disputed amount had resulted in overstatement of sundry debtors and understatement of losses by Rs. 1.87 crore.

6.9 Internal audit/internal control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which need improvement.

The major recommendations/comments made by the Statutory Auditors on possible improvement in the internal audit/internal control systems in respect of Government companies are given below:

Name of the company	Recommendations/comments made by the Statutory Auditors
Delhi Transco Limited	Internal audit should be conducted in advance so that corrective action is taken in time. Internal audit scope needs further strengthening.
Indraprastha Power Generation Company Limited	The internal audit should be strengthened commensurate with size and nature of the Company's business particularly in respect of the frequency of audit and timeliness of the reports to be obtained.
Delhi Tourism and Transportation Development Corporation Limited	Internal control needs to be strengthened with specific reference to maintenance of accounts of a few divisions on standard financial software and laying down of standard operating processes for recording movement of goods and incurring project expenditure. Moreover, Internal audit also needs to be strengthened to ensure receipt of reports in time and for taking of proper action by the Management.
Pragati Power Corporation Limited	The internal audit should be further strengthened to be commensurate with the size and nature of the business.
Delhi State Industrial and Infrastructure Development Corporation Limited	Keeping in view the overall size of the Company there is scope for greater coverage and strengthening of internal audit.
Delhi State Civil Supplies Corporation Limited	The internal audit system in the Corporation requires strengthening in areas of sale, stock tally and reconciliation of creditors.

6.10 619-B companies

There was no company under section 619-B of the Companies Act, 1956.

Paragraphs

Pragati Power Corporation Limited

6.11 Avoidable payment of sales tax

Delay in registration under the Sales Tax Act deprived the Company of the benefit of payment of sales tax at concessional rate and resulted in avoidable additional expenditure of Rs. 6.20 crore.

Pragati Power Corporation Limited (Company) was incorporated in July 2002 in Delhi consequent to the power sector reforms. The Company was required to obtain a Sales Tax Registration number immediately thereafter. The Company applied (November 2002) for registration under both local sales tax and central sales tax. Registration was granted from 14 November 2002. Thus, the Company remained unregistered for the period from 1 July 2002 to 13 November 2002. The Company could not avail of the concessional rate of four *per cent* sales tax against C form available to registered dealers and had to pay sales tax at the rate of 10 *per cent* as an unregistered dealer for all interstate purchases.

An application was filed (March 2004) with the Commissioner of Sales Tax requesting for waiver of delay in applying for registration which was rejected (September 2006) and the registration was allowed from 14 November 2002. Pragati Power Project was partially under construction during unregistered period and the construction was being executed by BHEL on a turnkey basis. An amount of Rs. 6.20 crore along with interest was claimed by BHEL on account of non-receipt of 'C' forms from 1 July 2002 to 13 November 2002. Against this demand, the Company made (January 2007) an ad-hoc payment of Rupees five crore.

The Management stated (September 2008) that the Company remained unregistered under the Sales Tax Act during the period from 1 July 2002 to 13 November 2002 resulting in the Company being unable to issue C Forms. The fact remains that the delay in filing application for registration under the Sales Tax Act resulted in avoidable expenditure liability of Rs. 6.20 crore on account of sales tax liability at a higher rate.

The matter was reported to the Government in March 2008; their reply was awaited (January 2009).

Delhi Power Company Limited and Delhi Transco Limited

6.12 Transfer of incentive amount without consideration

Delhi Power Company passed on its legitimate income in terms of incentive of Rs. 600.28 crore received from timely payment of CPSUs' dues to Delhi Transco without a quid pro quo resulting in net surplus for DTL of Rs. 196.17 crore to be distributed amongst DISCOMs. This would lead to unjust enrichment of the private power distribution companies to the extent of Rs. 183.89 crore.

Consequent to the Power Sector reforms, the Government of National Capital Territory of Delhi (GNCTD) notified Delhi Electricity Reforms (Transfer Scheme) Rules, 2001. The said rules provided for transfer of all power purchase liabilities of the erstwhile Delhi Vidyut Board to the Delhi Power Company Limited (DPC).

The GNCTD entered (February 2004) into an agreement with the Ministry of Power, Government of India (MOP) under which the total outstanding dues to the Central Power Sector Undertakings (CPSUs) amounting to Rs. 3,376.69 crore as on 30 September 2001 were securitised by the GNCTD as the long-term advances payable to CPSUs. The DPC paid CPSUs' dues of Rs. 2,350.60 crore (including interest of Rs. 1,844.10 crore) upto March 2008, partly from its own resources and partly by obtaining a total loan of Rs. 917.42 crore from the GNCTD during March 2004 to March 2006. The amount of long term advances outstanding as of March 2008 was Rs. 2,870.19 crore.

The GNCTD agreement with the MOP provided for an incentive at the rate of 2 to 3 *per cent* for timely payment of dues. The DPC received an incentive of Rs. 641.57 crore[⊗] from CPSUs during 2002-03 to 2005-06 for timely payment of dues. Since the DPC had taken a loan from the GNCTD, the Finance Department of the GNCTD decided (July 2005) that the entire incentive amount would be utilised for repayment of the loan and the incentive amount received in future would also be utilised for the payment of loan and could only be retained by the DPC if the payment was made from its own resources. As the DPC made the payment to CPSUs partly from its own resources and partly from a loan received from the GNCTD, the amount of incentive received by the DPC legitimately belonged to it and the same was to be utilised for repayment of loan. DPC was also accounting the incentive as deduction from interest paid in its Profit and Loss Account.

[⊗] The total amount received was Rs. 709.11 crore. Of this an amount of Rs. 67.54 crore received as incentive for opening of Letter of Credit by DTL has been excluded.

Though the incentive amount legitimately belonged to the DPC, the Board of DPC decided in December 2006 that the incentive amount received by DPC would be treated as an income of the Delhi Transco Limited (DTL) and the DPC in the ratio of 189:13 (ratio of current dues from July 2002 to March 2006 to be paid by the DTL and old dues of CPSUs to be cleared by the DPC) even though the DTL had not contributed any money towards clearing of CPSUs' old dues. It is contrary to the interests of an enterprise for its Board to pass on the Company's legitimate income to another Company without a quid pro quo. It is pertinent to note that in the instant case, all the Directors of the DPC except one were also the Directors of the DTL.

The above decision of the Board led to transfer of incentive amount of Rs. 600.28 crore[∅] from the DPC to the DTL. Consequently, the Delhi Electricity Regulatory Commission, in their multi year tariff order dated 20 December 2007, treated this transferred incentive as income of the DTL while truing up their revenue requirements and observed that the DTL had a net surplus of Rs. 196.17 crore in Financial Year 2007 after truing up of all the expenses for Financial Year 2006 and Financial Year 2007. The Commission intun considered that this surplus was payable by the Company to the distribution companies (DISCOMs) in proportion to the energy purchased by the respective DISCOMs from the DTL during Financial Year 2007. The Commission further decided that while truing up of expenses of all DISCOMs for Financial Year 2007, this would be considered as a receivable from the DTL in the sales proportion as per details given below:

Power distribution entity	Energy sales		FY 2007
	MU	Per cent	Rs. in crore
BSES Rajdhani Power Limited (BRPL)	9122	41.90	82.20
BSES Yamuna Power Limited (BYPL)	5298	24.34	47.75
North Delhi Power Limited (NDPL)	5986	27.50	53.94
New Delhi Municipal Corporation (NDMC)	1178	5.41	10.61
Military Engineering Services (MES)	186	0.85	1.67
Total	21770	100.00	196.17

Audit observed the following:

- The incentive was received by the DPC for making timely payment of old dues of CPSUs'. DPC made payment partly from its own resources and partly from a loan received from the GNCTD. The DPC also repaid loan amount of Rs. 112.49 crore in addition to payment of interest of Rs. 189.59 crore to the GNCTD upto March 2008 from its own resources. Thus, the incentive received for timely payment of old

[∅] Total amount transferred was Rs. 667.82 crore. From this an amount of Rs. 67.54 crore received as incentive for opening of Letter of Credit by DTL has been excluded.

CPSUs' dues legitimately belonged to the DPC. As no part of the payment of old CPSUs' dues was made by the DTL, it had no claim whatsoever over the incentive. Thus, the Board of the DPC while making a decision to transfer the incentive amount to the DTL, harmed the financial interests of the DPC.

- The agreement for securitisation of old CPSUs' dues was entered into by the GNCTD with the MOP. The GNCTD had clearly laid down (July 2005) the manner in which the incentive was to be treated. This incentive was to be utilised for repayment of loan and also retained by the DPC making payments to CPSUs from their own resources. Therefore, taking a decision contrary to the instructions of the GNCTD without the approval of the GNCTD was irregular.
- The transfer of incentive amount of Rs. 600.28 crore led to the Delhi Electricity Regulatory Commission treating this as income, resulting in a surplus of Rs. 196.17 crore to the DTL. Had this incentive not been passed on to the DTL, there would be a deficit of Rs. 404.11 crore. This surplus of Rs. 196.17 crore was to be shared with the DISCOMs, resulting in three private power distribution companies becoming entitled to receive Rs. 183.89 crore. As this incentive income came from timely payment of old dues upto September 2001 of CPSUs and had nothing to do with the energy purchased by DISCOMs in Financial Year 2006 and 2007 from the DTL, there was no basis whatsoever in passing on this amount to the DISCOMs. Thus, passing on the surplus arising out of incentive amount would result in unjust enrichment of private power distribution companies. The DTL, during petition to the Commission neither argued for non inclusion of incentive amount received from timely payment of old dues, as income in the truing up nor contested the subsequent tariff order of the Commission in this regard. Thus, the DTL failed to act to protect the incentive amount received by it.

The reply of the Managements of the DPC and the DTL, forwarded by the GNCTD, stated (September 2008) that the letter (July 2005) issued by the Department of Power to CMD of DPC only conveyed the approval of adjustment of the part of the loans due from the DPC to the GNCTD. The said communication did not restrict the sharing of incentives between the DPC and the DTL. The reply does not deal with the core issue. The incentive was received from timely payment of old dues of CPSUs. These old dues were paid by the DPC and not by the DTL. Thus, the incentive income legitimately belonged to the DPC and not to the DTL. However, the Board of the DPC failed to safeguard the financial interests of their company.

The Management further stated that the Board of the DPC had approved the sharing of incentives on the basis specified in the MOU between the GOI and

the GNCTD and the further clarification issued by MOP vide its letter dated 5 December 2005 which stated that the matter relating to sharing of incentive was an internal matter between the GNCTD and its power utilities. The reply is not acceptable as the CPSUs were required to give incentive on timely payment of dues and there was no further role for the MOP regarding sharing of incentives between two utilities of the GNCTD. Therefore, the clarification sought by the GNCTD from the MOP was unwarranted. Further, the Finance Department of GNCTD had clarified in July 2005 that the incentive amount would be utilised for payment of loan and it could be retained by the DPC making payments from its own resources. As the incentive was received for timely payment of old dues of CPSUs by the DPC and since the DTL had not repaid these old dues, it had no claim over it. Further, the Finance Department had not amended its instructions issued in July 2005.

The series of events from taking a decision to share incentive amount, transferring the amount to the DTL, not petitioning for non-inclusion of this amount in truing up of revenues and not contesting the tariff order of the Commission in this respect leading to unjust enrichment of private power distribution companies, indicate that a possibility of design in the events cannot be ruled out and, therefore, the matter requires investigation at an appropriate level.

Delhi SC/ST/OBC/Minorities/Handicapped Financial and Development Corporation Limited

6.13 Misplacement of loan files/record

Non-recovery of loans of Rs. 42.83 lakh due to failure to keep legal documents in safe custody and consequent misplacement thereof.

The Company had not laid down any system to keep the original legal documents relating to sanction of loan in security arrangements *i.e.*, safe custody. As per practice, the files containing original legal documents were transferred to Follow up and Recovery Division (FRD) for follow-up and recovery of loan in time as per terms and conditions attached to the sanction. A scrutiny of outstanding loan cases of the Company revealed (July 2002) that 35 loan files containing original records including legal documents were missing from the office premises. These files have not been traced so far (June 2008). The Management lodged a complaint (July 2002), but the local police did not register the case. The Company approached (Feb 2005) the Joint Commissioner of Police and FIR was lodged belatedly (June 2005), after a lapse of three years. A sum of Rs. 42.83 lakh including interest of Rs. 13.51

lakh was in default (Sept 2007) in these cases. As no legal documents i.e. collateral securities and details of personal guarantors relating to these cases were available with the company, the chances of recovery of loan amounts seem to be remote.

Had proper security arrangements been made for original as well as photocopies of record of collateral security/ personal guarantor, this situation could have been avoided. Original legal documents in the files handled in day-to-day working rendered them vulnerable to damage/misplacement/intentional removal by vested interests. Even after misplacement of files, no concrete action either to recover the outstanding dues or to reconstruct the files was taken. Thus, improper security arrangements resulted in loss of related documents as well as non-recovery of Rs. 42.83 lakh.

In response to audit query, while confirming the facts, the management stated (March 2007) that the Corporation has now reconstructed the files with all possible available copy of record, though the details of the guarantors could not yet be gathered and all possible steps are being taken to recover the dues from the beneficiaries, whose files have been stolen from the office premises. The matter is also under investigation with the local police. The fact remains that the reconstructed files do not contain legal documents, in the absence of which it may not be possible for the Company to recover the dues of Rs. 42.83 lakh from the defaulters through legal course of action. Even after reconstructing the files, no recovery has been made (September 2008). Moreover, the Company has not pursued the case further with the police.

The matter was reported to the Management and Government in March 2008; their reply was awaited (January 2009).

6.14 Failure of TCPC Scheme

Due to failure of the Company to initiate timely action, Training cum Production Centre Scheme designed to provide training to disadvantaged sections of society for earning livelihood did not take off even after lapse of more than 15 years and was ultimately abandoned.

Delhi SC/ST/OBC/Minorities/Handicapped Financial and Development Corporation Limited (Company) chalked out a scheme for construction of Training cum Production Centres (TCPC) in five district blocks* of Delhi during 1989-90. The main purpose of the opening of TCPC was to provide vocational training and guidance to the beneficiaries located in nearby areas. The proposal for opening of TCPCs at Alipur, Nagloi, Najafgarh, Mehrauli

* Alipur, Nangloi, Najafgarh, Mehrauli and Shahadara.

and Shahdara to cater to the Scheduled Caste people located in nearby areas was approved by the Board of Directors in March 1991. Accordingly, the Company requested (July 1993) Government of NCT of Delhi for allotment of plots in different blocks.

Scrutiny of records revealed that land measuring 10 Bigha and 8 Biswa (2.17 acres) in Kanjhawala block was allotted to the company in February 1995 and the possession of the land was received in March 1995 at a lease premium of Rs. 13.09 lakh. Work relating to construction of boundary wall was given to the Public Works Department (PWD) at a cost of Rs. 10.63 lakh and a sum of Rs. 1.50 lakh was released to PWD (October 1996) initially for starting the construction work. PWD could not start construction work till July 1997 for want of actual demarcation of the plot. The plot was demarcated in August 1997 and the construction work of boundary wall started in September 1997 and PWD incurred Rs. 5.19 lakh on the construction of the wall. Before the completion of boundary wall, the entire area including the vicinity of company's land was earmarked by Delhi Government for a project of Growth Centre. As a result of this development the work of boundary wall was stopped in October 1997. After the development, the Company has not taken any effective step either for getting allotment of alternate plot or for getting the refund of money already paid (Rs. 13.42 lakh including ground rent) and the expenditure incurred on boundary wall. Inaction in this regard is an indication of the fact that the company has not been serious about its plan for construction of TCPC for the benefit of beneficiaries.

Similarly, Rs. 9.61 lakh was deposited on 18 October 1994 for land at Chandan Hola block which has not come into the possession of the Company so far. Land measuring 15 Bigha and 11 Biswa at Alipur Block was taken over in March 1994 but the payment has not been made so far. A work for construction of wall was awarded to PWD and completed in May 1995 at a cost of Rs. 4.83 lakh. However, the allotment letter of 20 Bigha and 13 Biswa was issued in November 1997 at a lease premium of Rs. 55.93 lakh. No payment has been made by the Company on account of lease premium so far. Till date the Company has possession of 15 Bigha and 11 Biswa land only. The reasons for non-utilisation of land were not available on record. The scheme was abandoned (January 2006) by the Company due to its inability to acquire more land and the Board of Directors did not consider TCPCs to be feasible any longer.

Thus due to failure of the Company to initiate timely action, the TCPC scheme designed to provide training to the disadvantaged sections of society for earning a livelihood did not take off even after a lapse of more than 15 years and was ultimately abandoned.

The matter was reported to the Management and Government in April 2008; their reply was awaited (November 2008).

6.15 Poor recovery of loans due to inadequate recovery follow up

Failure to adhere to Follow-up and Recovery Policy as well as inadequate steps to recover loans under the schemes launched by the Corporation resulted in non-recovery of loans of Rs. 7.67 crore.

The Delhi SC/ST/OBC/Minorities/Handicapped Financial and Development Corporation Limited (Company) was set up for the economic upliftment of the members of SC/ST/OBC/Minorities community as well as Handicapped persons living below the poverty line. The Company provides financial assistance to such people for setting up small businesses or trades.

During the last 15 years, the Company launched various schemes such as Composite Loan Scheme, Transport Loan Scheme, Big Loan/Industrial Loan/Service Sector Loan Project (National Scheduled Castes Finance and Development Corporation – NSCFDC Schemes), Mobile PCO Scheme etc., to cater to the needs of SC/ST/OBC/Minorities/Handicapped and Safai Karamchari in the age group of 18 to 50 year for various economic activities. Under these schemes, the loan was repayable in 45 to 60 monthly instalments after a moratorium period of six months. The loans carried interest rates ranging from four to nine *per cent* with a subsidy component ranging from Rs. 5,000 to Rs. 10,000.

The Company formulated a Follow-up and Recovery Policy 2001. As per the policy, the Company was required to issue recovery notice immediately in case of default in repayment of loan installment. In case the defaults persisted, the matter was required to be forwarded to collector for making recovery as land revenue. For defaults in excess of Rs. 25,000 the policy required the Company to send a team of three officers to visit the defaulter for discussion about repayment.

Name of the scheme	Years of inception	Total disbursement since inception upto 31 March 2008 (Rs. in lakh)	No. of beneficiaries	No. of defaulters	Total amount due (Rs. in lakh)	Total amount recovered (Rs. in lakh)	Percentage of recovery
Composite Loan Scheme (CLS)							
	1997-98	2802.12	6097	2896	1427.00	1035.00	73
Transport Loan Scheme (TLS)							
Tempo Traveller	1998-99	107	20	18	104.76	25.41	24
Tempo Traveller CNG	2002-03	52.48	8	6	39.11	19.96	51
T-407	1997-98	284.52	76	27	126.02	93.69	74
Maruti Van	2002-03	108.33	41	32	95.05	80.65	85
Hari Bhari	2003-04	147.69	27	21	96.04	53.71	56
RTV	2004-05	195.84	36	32	144.40	73.55	51
Other Loan Schemes (OLS)							
NSFDC Schemes (Miscellaneous)	1991-92	223.22	52	33	156.97	82.47	53
Photocopy Machine	1996-97	78.04	71	41	65.15	44.91	69
Dairy Farming	1997-98	28.41	27	16	27.74	11.26	41
STD/PCO	2004-05	64.48	345	151	31.16	26.12	84
Total		4092.13	6800	3273	2313.40	1546.73	67

The details of the disbursement and recovery of loans in respect of the major schemes examined in Audit are given below:

It would be seen that the recovery rate varied between 24 and 85 *per cent* amongst the above schemes. The amount overdue was Rs. 7.67 crore. There were some significant deficiencies in the Company's compliance with Follow-up and Recovery Policy.

Audit reviewed 61 cases of CLS, 67 cases of TLS and 77 cases of OLS relating to default in repayment of loans. Scrutiny of the cases revealed the following deficiencies.

- No default notice was issued to 8, 3 and 29 defaulter loanees as well as their guarantors and delayed notice was issued in 50, 60 and 47 cases in respect of CLS, TLS and OLS respectively. The delay in issue of notices under the above schemes was ranging from three months to 50 months.
- In persistent default cases the matter was required to be forwarded to the collector for recovery. No case of persistent default was sent to the collector for recovery in CLS; in respect of TLS and OLS notices were sent to the collector for recovery in six out of 67 cases and seven out of 77 cases respectively.

- No visit was made by the team of the Company in any case under CLS, TLS and OLS, where the default amount exceeded Rs. 25,000.
- The Company had filed court cases for recovery only in 48 out of total 2,896 cases, six out of 136 cases and 10 out of 241 cases in CLS, TLS and OLS.
- No age-wise analysis of the default amount was done by the Company.

It would be seen that the Company was not taking the required steps for effecting recovery. This was not only affecting prospects of recovery but also providing a climate for defaults. We would encourage the management to scrupulously follow the recovery procedures and pursue each and every case of default respectively.

The matter was reported to the Management and Government in July 2008; their reply was awaited (January 2009).

Delhi Tourism and Transportation Development Corporation Limited

6.16 Injudicious business practices led to avoidable loss and blockage of funds

The Company failed to arrive at a decision about consistent loss making liquor vends; undertook construction of neighborhood cultural centre without soliciting approvals from local bodies; allowed banqueting in coffee home at Ajmal Khan Park to a private party entailing demolition of the coffee home by MCD and kept the land obtained at subsidised rates for construction of coffee homes idle resulting in blockage of funds to the tune of Rs. 4.73 crore and avoidable loss of Rs. 2.42 crore.

Introduction

The Delhi Tourism and Transportation Development Corporation Limited (DTTDC) established six coffee homes in National Capital Territory (NCT) of Delhi as part of its mandate for promotion of tourism. The Company was engaged in the retail sale of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL). The sale of liquor formed 98.4 *per cent* of the total turnover of the Company during the year 2007-08. As of March 2008, the Company was operating 106 IMFL and 46 CL vends. Audit carried out a review to ascertain whether the operations of the Company were in consonance with sound financial objectives. Audit findings are stated below :

➤ **Operation of consistent loss making liquor vends resulted in loss of Rs. 1.91 crore**

The Company has been engaged in the sale of IMFL through 106 IMFL vends and CL through 46 CL vends situated across Delhi. Vends are opened on the basis of sale potential in an area after obtaining licence from the Excise Department. The overall realisation from sale of liquor increased from Rs. 491.63 crore in 2005-06 to Rs. 558.99 crore in 2007-08. Scrutiny in audit, however, revealed that 21 CL vends and 3 IMFL vends operated by the Company were consistently incurring losses during 2005-08. The turnover of these vends decreased from Rs. 69.54 crore in 2005-06 to Rs. 50.20 crore in 2007-08. Despite consistent losses, the Company did not consider closure or relocation of such vends to commercially viable locations. The Company incurred a loss of Rs. 1.91 crore on operation of these loss making vends during 2005-08. The Management attributed (August 2008) the losses to high rental costs of the shops, increase in competition and static profit margins and stated that the necessary action for relocation of these loss making vends and increasing the sale by supplying fast moving brands to these shops was being taken.

➤ **Setting up of the neighborhood cultural centre under Raja Garden Flyover**

The Engineering Division of DTTDC constructed a fly over at Raja Garden (June 2001) out of Transport Infrastructure Utilisation Fund (TIUF). The space under the flyover was retained by the Company for development of a neighbourhood cultural centre comprising of retail shop, coffee point, cyber café, library, amphi theatre, gym and four food courts in addition to public facilities, green areas and art walk etc. The Finance Department of the Government of NCT of Delhi (GNCTD) accorded approval (September 2003) for construction of neighbourhood centre at a cost of Rs. 2.92 crore out of the TIUF. It was noticed that the project was initiated without any viability study. The project was completed in May 2005 at a cost of Rs. 4.41 crore. The cost escalation was mainly attributable to increase in area for reinforced concrete tiles, brick work, low electrical estimates and additional works etc. It was also seen that the approval for incurring Rs. 4.41 crore from TIUF as against Rs 2.92 crore approved by GNCTD for the project was also not obtained from GNCTD.

The Company invited offers for privatising the operations and management of neighbourhood centre thrice between June 2005 and June 2007 but could not finalise the offers due to non fulfillment of eligibility criteria by the bidders or the receipt of bids below the reserve price etc. Consequently, the facilities created at a cost of Rs. 4.41 crore remained idle and in addition the Company has incurred Rs. 9.58 lakh (March 2008) on upkeep and maintenance of the

project after its completion. Thus, execution of the project without any viability study resulted in blockage of Rs. 4.41 crore and unfruitful expenditure of Rs. 9.58 lakh on upkeep and maintenance of the project. The Management stated (August 2008) that the approval of competent authority was being obtained for incurring expenditure over and above the preliminary estimates. Besides, the Company has now decided to hand over the project to PWD which clearly shows that the Company has failed to utilise the neighborhood centre constructed at the cost of Rs. 4.41 crore and the same was lying vacant since 2005.

➤ **Demolition of Coffee Home at Ajmal Khan Park**

The Company submitted (March 1996) a proposal to Municipal Corporation of Delhi (MCD) for developing a service cum snack counter alongside the musical fountain at Ajmal Khan Park, Karol Bagh. The proposal of the Company was agreed to (May 1996) by the MCD without signing any formal agreement and the Coffee home was constructed (July 2000) by the Company at a cost of Rs. 21.26 lakh. In view of the operational losses, the Company entrusted (April 2005) the operations of the coffee home to Food Plaza Restaurant on the basis of a competitive bid.

A Public Interest Litigation (PIL) was filed (August 2005) in the High Court of Delhi by residents of the area challenging the use of the park for banqueting purposes. The residents alleged that this was causing traffic congestion and noise pollution. The MCD directed (April 2006) the DTTDC to close the snack bar (i.e. coffee home) and filed an affidavit in the High Court that Ajmal Khan Park would be used for park purpose only and the arrangement with the Company for running a snack bar had been cancelled. The PIL was disposed of by the High Court in August 2006 without any order as the steps for restoration of park had already been taken by the MCD. The Company raised a claim of Rs. 14.66 crore in lieu of damages on account of construction cost, loss of goodwill etc., caused by MCD to the Company due to cancellation of above arrangement. The claim of the Company was rejected (January 2007) by the MCD and the structures built by the Company demolished in January 2007. Audit scrutiny revealed that the Company could not challenge the decision of MCD in the absence of any formal agreement regarding the construction of the coffee home. DTTDC suffered an avoidable loss of Rs. 21.26 lakh on account of such demolition. The Management stated (July 2008) that after admittance of PIL in the High Court, the coffee home was demolished suo-moto by the MCD. The Management, however, failed to address as to why the banqueting was allowed in the coffee home, which attracted PIL and eventually led to demolition of coffee home. Thus, the absence of any formal agreement with MCD for construction of coffee home and allowing of banqueting to a private party in the coffee home led to a loss of Rs. 21.26 lakh.

➤ **Privatisation of operations of Media Coffee Home**

The Company has been operating a Media Coffee Home (MCH) in a subway at Bahadur Shah Zafar Marg having two portions measuring 1036 Sq feet on each side of the subway since November 1995. The Company invited (December 2004) offers from private parties to run MCH in view of continuous losses. Based on such tender, the operation of MCH was awarded to Food Plaza Express Kitchen (licencee) in January 2005 at an annual licence fee of Rs. 7.20 lakh and subject to terms and conditions that the licencee was to obtain necessary clearances from the civic bodies, fire and other agencies. The licencee paid Rs. 3.60 lakh as security deposit in February 2005. The licencee informed that it could not start operations of the coffee home till 10 August 2006 as it had failed to obtain requisite licences/ clearances. It, thus, requested the Company (August 2006) to refund Rs. 3.60 lakh deposited by it. The Company refunded Rs. 2.61 lakh to licencee after adjusting Rs. 0.99 lakh being 50 *per cent* of expenditure incurred on upkeep and maintenance of MCH. Audit scrutiny revealed that the Company did not handover possession of the premises and kept the space idle till August 2006. Besides, it did not even try to ascertain the reasons for failure of the licencee in getting various permissions/clearances while refunding the security deposit though the coffee home was being run in the same premises since November 1995. Consequently, the Company had incurred a loss of Rs. 9.99 lakh. The Management stated (August 2008) that the possession of the premises could not be handed over to Food Plaza due to seepage on the ceiling/water logging. The reply of the Management is not acceptable as it is on the records of the Company that no efforts were ever made to handover the possession of the premises to Food Plaza.

Thereafter, the Company on the basis of open tender allotted (December 2006) one portion of MCH to Cool All (CA) for a period of ten years at Rs 4.08 lakh per annum. The possession of the premises was given to CA on 14 March 2007. The Company retained other portion of the coffee home for opening of liquor shop. It was, however, noticed that despite a lapse of fifteen months, the space was not being utilised. Audit scrutiny revealed that CA showed its inclination to take vacant portion of coffee home at Rs. 4.08 lakh per annum. The Company, however, did not either accede to the proposal of CA or utilise the idle space for any fruitful purpose. Thus, failure of the Company to utilise the space lying idle during 2007-08 resulted in loss of revenue of Rs. 4.08 lakh. Evidently, the Company has incurred a loss of Rs. 14.07 lakh in privatisation of MCH. The Management stated (August 2008) that the second portion of MCH was kept for opening of liquor shop. However, the same could not be opened due to restriction imposed by Excise Department on operation of liquor shop in the basement. The reply is not tenable as the Company was well aware of the guidelines for opening of the

liquor vends, this being a continuous process. Thus, keeping space for opening of liquor vends was injudicious *ab-initio*.

➤ **Construction of Coffee homes at Bindapur and Janak Puri**

The Company took possession of land for construction of coffee home at Bindapur and Janakpuri from Delhi Development Authority (DDA) in July 2003 and January 2004 respectively on perpetual lease. The Company paid a one time premium of Rs. 19.64 lakh and Rs. 11.97 lakh for Janakpuri and Bindapur lands respectively and was required to pay annual rent of Rs. 49,106 and Rs. 29,921 for the lands *ibid*. As per the lease agreement the Company was required to construct the coffee home within two years from the date of possession of land, failing which the allotment of land could be terminated. The Company has not started any coffee home on these lands up to March 2008 despite a lapse of more than four years from the date of possession. No feasibility or viability study was carried out by the Company before taking over the above lands for construction of coffee homes.

Scrutiny in audit revealed that in case of land at Janakpuri, the Company appointed (October 2004) Price Water House & Cooper (PWC) Ltd as bid process manager for inviting bids for operation of coffee home on Built, Operate and Transfer (BOT) basis. The Company invited (April 2005) expression of interest from private parties for operation of coffee home on BOT basis but received no bids.

Thus, the public lands were obtained at subsidised rates without carrying out any viability study resulting in blockage of funds of Rs. 31.61 lakh and infructuous expenditure of Rs. 6.49 lakh on lease rent (Rs. 3.46 lakh) and consultant fees (Rs. 3.03 lakh).

The Management stated (August 2008) that action is being contemplated for construction of coffee home with multi-storey building at Janakpuri with the approval of DDA and construction of coffee home at Bindapur is kept in abeyance due to poor response of BOT in case of Janakpuri. Evidently, even after a lapse of more than four years of taking over possession of land, the Management failed to formulate any concrete plan for utilisation of these lands.

The matter was reported to the Government in June 2008; their reply was awaited (January 2009).

Delhi Transport Corporation

6.17 Operational loss due to unplanned deployment of buses

Delhi Transport Corporation entered into a long term agreement with private operators for operation of Volvo buses without ensuring financial viability which resulted in an operational loss of Rs. 1.06 crore.

The Delhi Transport Corporation (DTC) has been suffering losses on its inter-state operations. It suffered a loss of Rs. 162.29 crore on inter-state operations alone during the year 2003-04. On account of such losses, DTC discontinued deploying buses on the Delhi-Chandigarh-Delhi route from March 2003 and Delhi-Udaipur-Delhi route from July 2004.

Despite such a background, the DTC entered into an agreement with Hari Durga Travels, Delhi for operation of two Volvo airconditioned deluxe buses on Delhi-Udaipur-Delhi route from 20 January 2005. It signed another agreement with Libra Bus Service Private Limited, Ludhiana for operation of two Volvo airconditioned deluxe buses on Delhi-Chandigarh-Delhi route with effect from 20 January 2005. Both the above agreements were valid for a period of five years upto 19 January 2010. There was no valid reason on the record for such long term agreements despite unfavourable conditions to operate the buses.

Operation on the Delhi-Chandigarh-Delhi route was discontinued from 26 February 2005, as the Chandigarh administration did not allow these buses to ply within Chandigarh since they did not comply with clause 30 of Section 2 of the Motor Vehicle Act, 1988 as the DTC was not the owner of the buses. These two buses were accordingly, redeployed on Delhi-Katra-Delhi route from 20 March 2005.

The operation in the Delhi-Udaipur-Delhi route was also not found to be profitable and accordingly, DTC decided (September 2005) to terminate the contract and issued (September 2005) termination notice to the operators. The operators, however, approached (April 2006) the Delhi High Court against such termination notice. The Delhi High Court upheld (November 2006) the contention of the operators. The DTC took (February 2007) the matter to the Supreme Court but did not get any relief. The DTC had per force to keep these buses under their operation till 19 January 2010 in terms of the contract. These buses are being operated on Delhi-Katra-Delhi route.

The Management stated (April 2008) that the viability of operations of Volvo buses was worked out and it suffered a loss of Rs. 6.94 per km during the trial

run. However, the Board, in its meeting held on 19 August 2004 decided to hire deluxe airconditioned buses on ASRTU rates for long distance routes.

In spite of the Management being aware that the project was unviable ab-initio, still it preferred to continue with the operations. Thus, the Management failed to protect the interests of DTC by entering into a long term agreement. The legality of operating such hired buses was not thoroughly examined. This resulted in a loss of Rs. 1.06 crore till March 2008 on operation of these four Volvo buses. The responsibility has not been fixed for imprudent decision.

The matter was reported to the Government in March 2008; their reply was awaited (January 2009).

6.18 Irregularity by franchisee

Lack of supervision by the DTC management resulted in unauthorised collection of Rs. 1.02 crore from bus pass holders by the franchisee.

DTC entered (January 2001) into an agreement with Electronics Corporation of India Limited (ECIL) for issuing passes to various classes of commuters through a computerised system. The agreement provided that ECIL would open 25 counters at various places in Delhi which would be appropriately networked. ECIL was to collect Rs. 10 for an ID card that was to be issued to each pass holder in addition to the cost of the pass at rates prescribed by DTC. ECIL would also charge Rupees seven from the general public and Rupees two from students towards issue/renewal charges.

It was observed in audit that ECIL collected Rs. 10 from each pass holder towards reactivation penalty in case of delay in the renewal of passes in addition to the amounts mentioned above without any clause in the agreement for levy of such penalty. ECIL collected an amount of Rs. 43.78 lakh towards reactivation penalty during January 2001 to March 2002. DTC came to know of this collection as late as in April 2002 and directed (April 2002) ECIL to stop collecting such charges and credit the amounts collected to DTC account.

It was, however, noticed that ECIL continued to collect this amount till 30 September 2004 and had collected a total amount of Rs. 1.02 crore on this account. This amount has not been deposited with DTC. DTC has since confirmed (April 2008) the facts of this paragraph.

Thus, lack of supervision by DTC of the activities of its franchisee has resulted in an unjust enrichment of ECIL by Rs. 1.02 crore besides undue burden on passholders. Management stated (June 2008) that a show-cause notice for termination of agreement was issued to ECIL in August 2004, after

which the franchisee stopped the collection of reactivation charges from October 2004. This case illustrates the total abandonment of supervision of the activities of the franchisee as a result of which ECIL kept collecting reactivation charges for 45 months (January 2001 to October 2004). The DTC should collect the amount with interest of Rs. 56.58 lakh* (June 2008) from the franchisee.

The matter was reported to the Government in May 2008, their reply was awaited (January 2009).

New Delhi

(RAJVIR SINGH)

Dated:

Accountant General (Audit), Delhi

Countersigned

New Delhi

(VINOD RAI)

Dated:

Comptroller and Auditor General of India

* Calculated at the interest rate at which the corporation availed loan.