

CHAPTER IV

NON-TAX REVENUE

EXECUTIVE SUMMARY

Highlights of this Chapter	In this Chapter, we present a Performance Audit on “ Interest Receipts ” of the State Government, wherein we have pointed out several system and compliance deficiencies relating to accountal/disbursal of loans given by the State Government to various Departments/ Government Bodies/PSUs and recovery of interest thereon.
Our conclusion	Interest receipts were largely by way of book adjustments by sanctioning fresh loans. The Administrative Departments had not ensured proper records of loans sanctioned and recoveries done.

CHAPTER IV

NON-TAX REVENUE

4.1 Tax administration

Non-tax revenue of the Government of NCT of Delhi (GNCTD) comprises mainly of the interest receipts. Interest receipts include interest recovered on loans and advances granted to various public sector undertakings, local bodies, Co-operative Societies etc., and individuals, including State Government employees. Loans sanctioned carry different rates of interest and are required to be recovered within the stipulated periods along with interest.

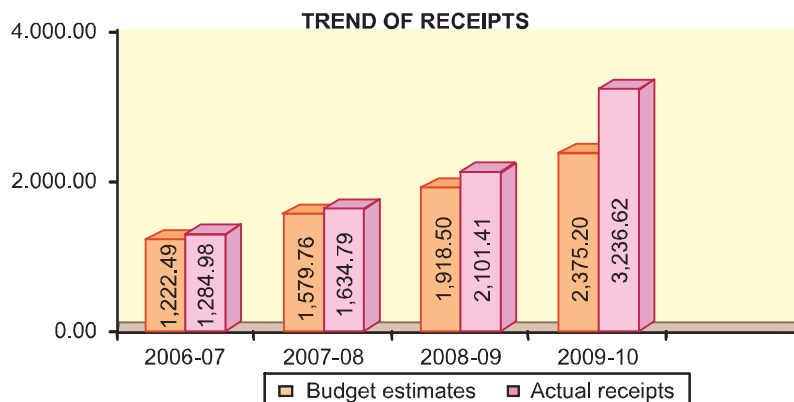
The Administrative Departments process the proposals for grant of loans and advances received from the loanee organisations and sanction the loan with the concurrence of the Finance Department, GNCTD. Pay and Accounts Office of the Administrative Department concerned is required to maintain detailed accounts of sanctioned loans and keep watch over repayment of the principal amount and realisation of its interest.

4.2 Trend of receipts

Budget estimates, actual receipts, variations in actual receipts over budget estimates and percentage of variation for the period 2006-07 to 2009-10 in respect of interest receipts along with the total receipts and non-tax receipts of the State are mentioned in the following table:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total receipts of the State	Non Tax revenue	Percentage of actual interest receipts vis-a-vis total tax receipts	Percentage of actual interest receipts vis-a-vis Non-tax receipts
2006-07	1222.49	1284.98	62.49	5.11	11619.38	1463.58	11.06	87.80
2007-08	1579.76	1634.79	55.03	3.48	13599.50	1816.70	12.02	89.99
2008-09	1918.50	2101.41	182.91	9.53	14481.42	2300.72	14.51	91.34
2009-10	2375.20	3236.62	861.42	36.27	16915.25	3467.40	19.13	93.34



It is seen that during the period of 2006-07 to 2009-10, the actual receipts consistently exceeded the budget estimates, being more than 36 *per cent* in the year 2009-10, thereby indicating unrealistic budget estimates.

4.3 Internal audit

The Directorate of Audit under the Finance Department is entrusted with the internal audit of all offices/Departments of the Government.

The Government stated that internal audit will be undertaken shortly before the replies are given and replies will incorporate the steps taken by the Finance Department to address the issue of non-maintenance of records.

4.4 Results of audit

Test check of records relating to interest receipts and Public Works Department conducted during the year 2010-11 and 2011-12 revealed short/non-levy and collection of interest receipts, lapsed deposits not credited into Government account and other irregularities involving ₹ 0.25 crore in 18 cases which fall under the following categories:

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Performance audit on Interest Receipts	1	NIL
2.	others	17	0.25
Total		18	0.25

A Performance Audit on “Interest Receipts” revealed short/non-levy and collection of interest as discussed in the succeeding paragraphs.

4.5 Performance audit on Interest Receipts

Highlights

- The loans sanctioned by the Government of NCT of Delhi (GNCTD) during the period 2006-07 to 2009-10 increased by 41 *per cent* and the outstanding loans stood at ₹ 39219.78 crore at the end of March 2010. The recovery of loans ranged from 0.76 to 2.63 *per cent* only. The interest receipts which rose to ₹ 3236.62 crore were largely by way of book adjustments by sanctioning further loans to cash strapped bodies of the GNCTD.

(Paragraph 4.5.6 and 4.5.8)

- The budgeting of interest receipts by the Administrative Departments was unrealistic in absence of proper records and there was no internal audit of loans sanctioned by the Government of NCT of Delhi

(Paragraph 4.5.7 and 4.5.10)

- Government utilised major portion of its tax revenue (47 *per cent*) to discharge its own debt liability and that of its loanees.

(Paragraph 4.5.8.1)

- There was no mechanism for levy, collection and monitoring of interest receipts as the PAOs and Administrative Departments had not maintained the loan records, watched repayment of loans and penal interest was neither levied nor collected.

(Paragraph 4.5.9)

4.5.1 Introduction

Interest receipts which were at ₹ 1284.98 crore in 2006-07 rose to ₹ 3236.62 crore in 2009-10 and constituted 11 to 19 *per cent* of the total revenue and 88 to 93 *per cent* of the non-tax revenue of the Government of NCT of Delhi (GNCTD). This comprises interest recovered on loans and advances granted by the State Government to various public sector undertakings, local bodies, Cooperative Societies etc., and individuals, including State Government employees. Loans sanctioned carry different rates of interest and are required to be recovered within the stipulated periods along with interest.

As per the system in place, loanee organisations submit their proposals for grant of loans and advances to the concerned Head of the Administrative Department which processes and sanctions the loan with the concurrence of the Finance Department. The Drawing and Disbursing Officer (DDO) of the concerned Administrative Department draws the loan amount from the concerned Pay and Accounts Office (PAO) and disburses it to the loanee through Electronic Clearing System (ECS)/Real Time Gross Settlement (RTGS).

Pay and Accounts Office of the Administrative Department concerned is required to maintain detailed accounts of sanctioned loans and keep watch over repayment of the principal amount and realisation of its interest. Any default in payment, either of the principal amount or interest by the loanees should be reported without delay by the PAO concerned to the Administrative Departments which should take suitable measures for enforcing repayments of amounts overdue. If the Administrative Department enforces any penal interest upon the overdue instalment of principal and/or interest, the PAO concerned should watch its recovery.

4.5.2 Audit Scope and Methodology

The Performance Audit deals with loans sanctioned by the GNCTD to its own bodies/Corporations/PSUs. Based on the quantum of loans disbursed, we examined the records of five major loans sanctioning Departments (Urban Development/Power, Transport, Rural Development, Industries and Welfare of SC/ST/OBC) of the GNCTD and their respective Pay and Accounts Offices

between August 2011 and November 2011. 99 *per cent* of the loans sanctioned between 2006-07 and 2009-10 by GNCTD were covered in the Performance Audit.

4.5.3 Audit Objectives

We conducted the Performance Audit with a view to examine:

- whether loans were sanctioned after following due procedures and the sanction orders specified the terms of repayment and interest provision;
- whether the system and procedures for levy, collection and monitoring of interest receipts were adequate; and
- efficiency and effectiveness of the internal controls for monitoring of loans outstanding and interest receipts due.

4.5.4 Audit criteria

The audit objectives were bench marked against the following criteria:

- Provisions of General Financial Rules and Civil Accounts Manual
- Terms and conditions contained in the loan Sanction orders.

4.5.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the five¹ Administrative Departments, Planning Department and Finance Department and four² Pay and Accounts Offices and Principal Accounts Office of the GNCTD in providing necessary information and records for the audit. The draft review was forwarded to the Government in November 2011. The exit conference was held on 15 December 2011 in which the results of audit and recommendations were discussed with the Special Secretary (Finance), GNCTD. The replies of the Government during the exit conference and at other points of time have been appropriately incorporated in the respective paragraphs.

The audit findings are discussed in succeeding paragraphs.

4.5.6 Position of Outstanding Loans

A study of Finance Accounts of GNCTD for the period 2006-07 to 2009-10 has shown the following position of outstanding loans:

¹ Urban Development/Power, Transport, Rural Development, Industries, Welfare of SC/ST/OBC

² PAO-VI, PAO-X, PAO-XI and PAO-XXIV

(₹ in crore)

Years	Opening balance of outstanding loans	Loans issued during the year	Recoveries made during the year	Closing balance of outstanding loans	Recoveries as a percentage of opening balance of loans	Percentage of increase in amount of loan during the year
2006-07	27724.60 (-) 323.19 ³	3294.24	228.64	30467.02	0.80	11.88
2007-08	30467.02 (-) 3467.00 ⁴	3649.55	231.26	30418.31	0.76	11.97
2008-09	30418.31	4217.32	799.00	33836.63	2.63	13.86
2009-10	33836.63	5701.30	318.15	39219.78	0.94	16.85

Source: Finance Accounts, GNCTD

It can be seen that there was a consistent increase in the loans advanced, since the total loans under different heads of accounts went up by 41 *per cent* during the last four years and stood at ₹ 39219.78 crore as on 31st March 2010. The life of loans advanced to loanees of different sectors ranged between 5 to 15 years and hence, on an average in one particular year, there should have been minimum recovery of 7 to 20 *per cent* of the opening balance of loan. However, we saw that the percentage of the recovery of loan was poor, ranging between 0.76 to 2.63 *per cent* only.

The outstanding principal of loan due at the end of the financial year against which recoveries for the year were effected could not be ascertained as the loan ledgers were not maintained by the PAO as discussed later in this report.

System Deficiencies

4.5.7 Budget estimates versus actual interest receipts

Budget estimates, actual receipts, variations in actual receipts over budget estimates and percentage of variation for the period 2006-07 to 2009-10 in respect of interest receipts on loans sanctioned by Government of NCT of Delhi to various organisations/corporations are mentioned in the following table:

³ represents prior period adjustment of ₹ 323.19 crore due to conversion of loan into equity

⁴ represents prior period adjustment of ₹ 3452 crore due to conversion of loan into equity & 15 crore due to conversion of loan into grant-in-aid.

(₹ in crore)

Years	Budget Estimates	Actual Receipts	Excess	Percentage of Excess
2006-07	1222.49	1284.98	62.49	5.11%
2007-08	1579.76	1634.79	55.03	3.48%
2008-09	1918.50	2101.41	182.91	9.53 %
2009-10	2375.20	3236.62	861.42	36.27%

Source: Finance Accounts and Budget Estimates of GNCTD

Interest receipts are known well in advance as they are based on loan sanctioned and outstanding at the given time and hence, it should be feasible to estimate the recoveries fairly accurately. From the above table it is seen that during the period of 2006-07 to 2009-10 the actual receipts consistently exceeded the budget estimates, being more than 36 per cent in the year 2009-10.

4.5.7.1 Non-submission of budget estimates by Administrative Departments

We noticed that the Administrative Departments did not prepare and submit the budget estimates of interest receipts to the Finance Department during the period 2006-07 to 2009-10. Instead the Finance Department prepared the budget estimates on the basis of information/feedback which was called by the Planning Department from the loanees.

Urban Development Department and Department for Welfare of SC/ST/OBC in their reply have confirmed that these Departments do not prepare and submit the annual budget estimates on interest receipts to the Finance Department. Other Departments (i.e. Transport, Industries, Rural Development and Power) though confirmed verbally, have not confirmed in writing the non-preparation of budget estimates of interest receipts.

Reasons for non-preparation of budget estimates and variations between budget estimates and actual interest receipts, though called for (August 2011) have not been furnished by the concerned Departments including the Finance Department.

4.5.7.2 Projection of interest dues by PAOs versus actual receipts

Though, PAOs were not maintaining the detailed loan ledgers, figures of interest due from different loanees were furnished to audit on the basis of available record. It was observed that there was no relation of the budgeted figures with the projections of interest due given by the PAOs. Compared to these figures the budgeted figures were on much lower side. The actual receipts also fell short of the projected dues from the three main loanees (i.e.

Delhi Jal Board, Delhi Transport Corporation and Municipal Corporation of Delhi) of the GNCTD as detailed below:

(₹ in crore)

Year	Interest due from DJB as per PAO-VI	Actual Interest receipts from DJB	Excess projection of interest due by PAO-VI	Interest due from DTC as per PAO-XI	Actual Interest receipts from DTC	Excess projection of interest due by PAO-XI	Interest due from MCD as per PAO-VI & XI	Actual Interest receipts from MCD	Excess projection of interest due by PAO-VI & XI
2006-07	2768.66	474.34	2294.32	645.59	602.42	43.17	1144.39	109.69	1034.70
2007-08	3201.94	586.62	2615.32	869.73	767.07	102.66	364.68	226.02	138.66
2008-09	3396.25	609.40	2786.85	1162.50	1007.80	154.7	1073.45	198.32	875.13
2009-10	3396.25	1666.67	1729.58	1437.00	1316.28	120.72	1073.45	190.72	882.73

Source: Figures supplied by the PAOs and sanction orders of Administrative Departments

The above excess projection of interest dues by PAOs over the actual receipts indicates that there was no co-ordination between the Administrative Departments and the PAOs.

Thus, due to the fact that the Administrative Departments were not submitting the budget estimates to the Finance Department & PAOs' projections of interest due were on much higher side and there was consistent excess of actual interest receipts over the budget estimates, the entire budgeting process of interest receipts is questionable. Finance Department needs to streamline the budget process to make it realistic.

In the exit conference the Government stated that since the PAOs, who are the basic record keepers, are not maintaining and updating the loan ledgers, the whole process of budgeting stands compromised. However, PAOs have now been instructed to start the process of construction of records and same will be achieved shortly.

We do not agree with the reply since budget estimation is an executive function and the PAOs are only record keepers to provide inputs to the Departments regarding outstanding balances and interest due. The administrative Departments and the Finance Department have not ensured realistic budgeting with proper co-ordination and getting correct figures of loan balances from the PAOs.

4.5.8 Realisation of Interest receipts by book adjustment

We observed that major portion of interest receipts of the Government of NCT of Delhi was from the interest realised from public utilities (DJB and DTC) through book adjustments (further loans were sanctioned for repayment of interest liability and instead of releasing the amount of loan, the same was credited to Major head 0049: Interest Receipts as book adjustment) and

adjustment from Basic Tax Assignment (BTA) to the local bodies on the recommendations of the Delhi Finance Commission, while interest receipts from other sources, which was realised in cash, was meagre as detailed in the following table:

(₹ in crore)

Year	Interest receipts realized				Interest receipts from other sources	Total Interest receipts	Percentage of book adjustments to Interest receipts	Tax revenue	Percentage of book adjustment to tax revenue
	Through book adjustment from DJB	Through book adjustment from DTC	Through adjustment from BTA to MCD	Total					
2006-07	474.34	602.42	109.69	1186.45	98.53	1284.98	92.33%	10155.80	11.68%
2007-08	586.62	767.07	226.02	1579.71	55.08	1634.79	96.63%	11782.80	13.41%
2008-09	609.40	1007.80	198.32	1815.52	285.89	2101.41	86.40%	12180.70	14.91%
2009-10	1666.67	1316.28	190.72	3173.67	62.95	3236.62	98.06%	13447.86	23.60%

Source: Finance Accounts, GNCTD, Non-plan sanction orders of UD & Transport Departments and adjustment from BTA orders of UD Department.

It can be seen that 86 to 98 per cent of the interest recoveries were made by way of book adjustments. In the absence of figures from loan ledgers of the Administrative Department, the basis for the above book adjustments is not known/nor verifiable.

4.5.8.1 Servicing of Debt liability by GNCTD

GNCTD does not have any powers to borrow from the open market. It can borrow from the Central Government only. It can also not stand guarantee to any loan raised by any of its Public Sector Undertakings or Local Bodies working under its domain. It does not have any separate Public Account nor does it have any separate account with the Reserve Bank of India (RBI). Its cash balance forms a part of the account of the Government of India with the RBI.

GNCTD receives loans from the Union Government mainly in the form of small savings loans from National Small Savings Fund (NSSF) of Government of India. The position of outstanding loans of Delhi Government and its debt servicing liability during the period 2006-07 to 2009-10 is as under:

(₹ in crore)

Year	Outstanding debt at the beginning of the year	Loans received during the year	Loans repaid during the year	Outstanding debt at the end of the year	Interest paid during the year	Tax revenue during the year	Percentage of interest paid to tax revenue
2006-07	21699.65	4002.14	133.75	25568.04	2210.23	10155.80	21.76%
2007-08	25568.04	746.02	975.09	25338.96	2504.34	11782.80	21.25%
2008-09	25338.96	428.74	386.03	25381.67	2511.87	12180.70	20.62%
2009-10	25381.67	1769.00	606.47	26544.20	2472.93	13447.86	18.39%

Source: Finance Accounts, GNCTD

While the GNCTD was unable to recover its dues from the loanees in cash and has been resorting to disbursal of non-plan loans to organisations exclusively for the purpose of interest repayment and making book adjustments of the interest dues, the GNCTD has been consistently repaying its loans and interest thereon to the Government of India. Thus, as much as 47 per cent of the tax revenues were being used by the GNCTD for debt servicing of its own and its loanees.

A comparative statement of the loans repaid and received back and interest paid and received by the GNCTD during the period 2006-07 to 2009-10 is as under:

(₹ in crore)

Year	Position of loans repaid and interest paid by GNCTD to Central Government			Position of loans recovered and interest collected by GNCTD from loanees			Tax revenue during the year	Percentage of amount repaid to central government to tax revenue	Percentage of book adjustment to tax revenue	Percentage of tax revenue used by Delhi Govt. to discharge its own debt liability and to help its loanees service their debt liability
	Loans repaid during the year	Interest paid during the year	Total amount repaid to Central Govt.	Recoveries made during the year	Interest Receipts during the year	Interest receipts realised through book adjustments				
2006-07	133.75	2210.21	2343.96	228.64	1284.98	1186.45	10155.80	23.08%	11.68%	34.76%
2007-08	975.09	2504.34	3479.43	231.26	1634.79	1579.71	11782.80	29.53%	13.41%	42.94%
2008-09	386.03	2511.87	2897.90	799.00	2101.41	1815.52	12180.70	23.79%	14.91%	38.70%
2009-10	606.47	2472.93	3079.40	318.15	3236.62	3173.67	13447.86	22.90%	23.60%	46.50%

Source: Finance Accounts, GNCTD

In the exit conference Government stated that DTC and DJB have been asked to improve their finances and from 2011-12 onwards, no further loans will be issued to these public utilities for debt servicing. Instead grants will be issued depending upon their performance.

4.5.9 Non-maintenance of loan records by PAOs and Administrative Departments

Though five⁵ Administrative Departments reviewed by us were requested (August & September 2011) to furnish information regarding the amount of overdue principal and accrued interest as well as loanee-wise position of the loans, the information was not furnished till date (January 2012). Scrutiny of records of five Administrative Departments and their corresponding four PAOs revealed that the PAOs were neither maintaining the detailed accounts of sanctioned loans nor keeping a watch over repayment of principal and realisation of interest. Scrutiny of loan registers in the PAOs revealed that only date and amount of loan sanctioned had been posted in the registers. Further working on instalments of principal outstanding, recoveries and interest as shown in table above Para 4.5.8.1 were not found recorded. As a result, no cases of default in payment, either of principal or interest by the loanees were found reported by the PAO concerned to the Administrative Departments during the period 2006-07 to 2009-10. Thus, penal interest could not have been levied and collected.

The Administrative Departments were required to conduct a close review of the reported cases of defaults in repayment of instalments of principal and/or interest due and take suitable measures for enforcing repayments of overdues and to levy penal interest upon the overdue instalment of principal and/or interest. No mechanism was evolved for conducting such review by the Administrative Departments. In the absence of receipt of any communication from the PAO concerned on the default cases, the Administrative Departments did not take any initiative for proper maintenance of records either by themselves or by the PAO concerned. In absence of the required loan records, the Departments of GNCTD were dependent on the loanees for such information, which in itself is a faulty practice.

Thus, due to the failure of the Administrative Departments and Pay and Accounts Offices to maintain the records relating to recovery of principal and interest on the loans sanctioned to various organisations, the complete information regarding position of overdue principal and interest could not be ascertained by us.

During a discussion with the Controller of Accounts in October 2011, the fact of non-maintenance of records was admitted. It was, however, assured that the information based on which records were to be maintained was available with them and the records would be constructed from it within a reasonable timeframe which would be intimated to Audit.

⁵ Urban Development/Power, Transport, Rural Development, Industries, Welfare of SC/ST/OBC

In the exit conference Government stated that the PAOs have been instructed to start the process of construction of records and same will be achieved shortly. The computerisation process has also been initiated and will be in place in a year's time. In future the monitoring of repayment of loans will be strictly watched and a cell will be formed in the Finance Department for this specific purpose.

4.5.10 No internal audit of loans

The Internal Audit Wing of the Government of NCT of Delhi had not conducted any audit of the process of loan sanction and repayment and its monitoring during the period 2006-07 to 2009-10. Therefore there was no mechanism which would have alerted the Government to the serious situation of non-maintenance of records and non-watching of loan repayment.

In the exit conference the Government stated that internal audit will be undertaken shortly before the replies are given and replies will incorporate the steps taken by the Finance Department to address the issue of non-maintenance of records.

Compliance Deficiencies

4.5.11 Short receipt of interest due and non-levy of penal interest on overdues due to absence of co-ordination between PAOs and Administrative Departments

In the absence of any basic data, we relied on the figures appearing in the Finance Accounts of the GNCTD for the period 2006-07 to 2009-10 and calculated⁶ the debt liability (principal, interest & penal interest) of loanees of different loan sanctioning Departments.

Though, the Administrative Departments and the concerned PAO(s) were not maintaining the record to watch the recovery of loans and interest accrued from the loanees, PAOs have furnished the information regarding interest due, recovered and overdue from the loanees on the basis of the available records. Further, loanees have also furnished the same information for the period under review.

A loanee-wise comparative study of figures of interest due, recovered and overdue as supplied by the PAOs and loanees and worked out by us on the basis of the Finance Accounts of GNCTD showed a wide variation in the figures as detailed below:

⁶ Amount of principal due is calculated on the opening balance of loans outstanding, amount of interest due is calculated on the closing balance of loans outstanding and penal interest is calculated on the total of principal and interest overdue.

(a) Delhi Jal Board (Urban Development Department)

(₹ in crore)

Year	Interest due as per Audit (MH 6215 & 7615)	Interest due as per DJB	Interest paid by DJB during the year	Interest overdue as per audit	Interest overdue as per DJB	Interest due as per PAO-VI	Interest paid by DJB as per PAO-VI	Interest overdue as per PAO-VI	Penal interest due as per Audit
2006-07	1597.74	1013.83	474.34	1123.40	539.49	2768.66	474.34	2294.32	53.51
2007-08	1820.36	1188.90	586.62	1233.74	602.28	3201.94	586.62	2615.32	59.40
2008-09	2072.29	1411.52	609.40	1462.89	802.12	3396.25	0	3396.25	69.25
2009-10	2472.48	1663.45	1666.67	805.81	(-) 3.22	3396.25	1666.67	1729.58	55.19
Total				4625.84	1943.89			10035.47	237.35

Source: Finance Accounts, GNCTD and figures supplied by the PAOs and the loanee.

(b) Municipal Corporation of Delhi (Urban & Rural Development Departments)

(₹ in crore)

Year	Interest due as per Audit (MH 6217, 6515 & 7615)	Interest due as per MCD	Interest paid by MCD during the year ⁷ as per adjustment from BTA	Interest overdue as per audit	Interest overdue as per MCD	Interest due as per PAO-VI (MH 6217 & 7615) and PAO-XI (MH 6515)	Interest paid by MCD as per PAO-VI (MH 6217 & 7615) and PAO-XI (MH 6515)	Interest overdue as per PAO-VI (MH 6217 & 7615) and PAO-XI (MH 6515)	Penal interest due as per Audit
2006-07	196.64	114.57	109.69	86.95	4.88	1144.39	109.89	1034.5	9.70
2007-08	209.45	116.69	226.02	(-) 16.57	(-) 109.33	364.68	226.19	177.05	8.35
2008-09	210.60	171.72	198.32	12.28	(-) 26.6	1073.45	807.87	342.7	10.06
2009-10	200.32	176.63	190.72	9.60	(-) 14.09	1073.45	190.86	998.27	10.57
Total				21.88	(-) 40.69			2552.52	38.68

Source: Finance Accounts, GNCTD and figures supplied by the PAOs and the loanee.

⁷UD Department recovered the amount of interest from MCD on loans released under various Major heads by adjusting from Basic Tax Assignment of the MCD and collectively credited the same to MH 0049: Interest Receipts. The figure of interest paid by MCD also includes interest recovered on loans released under other Major Heads (i.e. MH 6075, 6216 & 6403). UD Department, however, could not furnish head-wise details of recovery of amount of interest and therefore the figure of interest recovered exclusively on loans released to MCD under MH 6217, 6515 & 7615 could not be ascertained.

(c) Delhi Transport Corporation (Transport Department)

(₹ in crore)

Year	Interest due as per Audit (MH 7055)	Interest due as per DTC	Interest paid by DTC during the year	Interest overdue as per audit	Interest overdue as per DTC	Interest due as per PAO-XI	Interest paid by DTC as per PAO-XI	Interest overdue as per PAO-XI	Penal interest due as per Audit
2006-07	578.73	647.06	602.42	-23.69	44.64	645.59	602.42	43.17	10.49
2007-08	730.19	871.20	767.07	-36.88	104.13	869.73	767.82	101.91	13.84
2008-09	927.28	1167.51	1007.80	-80.52	159.71	1162.50	1007.80	154.70	17.46
2009-10	1156.85	1437.09	1316.28	-159.43	120.81	1437.00	1316.28	120.72	22.17
Total				-300.52	429.29			420.50	63.96

Source: Finance Accounts, GNCTD and figures supplied by the PAOs and the loanee.

(d) Delhi Khadi & Village Industries Board (Industries Department)

(₹ in lakh)

Year	Interest due as per Audit (MH 6851)	Interest paid by DKVIB during the year	Interest over-due as per audit	Interest due as per Industries Deptt. ⁸	Interest paid by DKVIB during the year	Interest over-due as per Industries Deptt.	Interest due as per PAO-XXIV	Interest paid by DKVIB as per PAO-XXIV	Interest overdue (including penal interest) as per PAO-XXIV	Penal interest due as per Audit
2006-07	30.25	3.37	26.88	34.60	0	34.60	12.62	0	34.59	-1.80
2007-08	36.47	3.74	32.73	63.95	0	63.95	34.59	0	97.44	2.30
2008-09	33.11	1.33	31.78	104.06	0	104.06	97.44	0	104.06	1.96
2009-10	35.47	0	35.47	146.68	0	146.68	104.06	0	119.99	2.73
Total			126.86			349.29			356.08	5.19

Source: Finance Accounts, GNCTD and figures supplied by the PAOs and the Department.

⁸ Reply from DKVIB is still awaited. However, the industries Department has furnished the reply and same has been incorporated in the table.

(e) Indraprastha Power Generation Company Limited (Urban Development Department)

(₹ in crore)

Year	Interest due as per Audit (MH 6801)	Interest paid by IPGCL during the year	Interest overdue as per audit	Interest due as per IPGCL	Interest paid by IPGCL during the year	Interest overdue as per IPGCL	Interest due as per PAO-VI	Interest paid by IPGCL as per PAO-VI	Interest overdue as per PAO-VI	Penal interest due as per Audit
2006-07	18.38	0	18.38	15.68	0	15.68	11.85	0	11.85	0.72
2007-08	19.63	0	19.63	19.53	0	19.53	43.78	0	43.78	0.12
2008-09	18.06	15.21	2.85	93.44	28.95	64.49	66.92	0.90	66.02	0.01
2009-10	16.49	0	16.49	82.54	0	82.54	66.92	0	66.92	0.36
Total			57.35			182.24			188.57	1.21

Source: Finance Accounts, GNCTD and figures supplied by the PAOs and the loanee.

In the absence of detailed loan ledgers, there is no apparent basis for the figures supplied by the PAOs. Yet, it is clear from the figures supplied by the PAOs and the loanees that the interest due consistently exceeded the actual interest receipts and therefore there was overdue of interest receivable. However, since no case of default in payment, either of principal or interest by the loanees, was reported by the PAO concerned to the Administrative Departments, penal interest could not have been levied and collected on the overdue of principal and interest.

In the exit conference the Government stated that the Administrative Departments and PAOs will try and reconcile the figures and suitable reply to audit observations will be given in time.

4.5.12 Deficiencies in loan sanctioning process by Administrative and Finance Departments

4.5.12.1 Relaxation of conditions for sanction of further loan

Scrutiny of records relating to Plan loans sanctioned to DJB and MCD revealed that the Administrative Department as well as the Planning/Finance Department failed to exercise any effective control over the sanctioning of loans and their proper and timely usage. As a pre-condition to issue of further loans, the loan sanctioning orders clearly provided for submission of the utilisation certificates, physical progress report in respect of earlier instalment of loans and annual action plan for the year along with targets fixed for the plan schemes. Also, the MCD and DJB were required to submit audited statements of accounts for the year as per the GFRs.

The sanction orders further provided that the released funds should be utilised on the Plan scheme for which these were sanctioned and should not be diverted to any other scheme under any circumstances.

We observed that all these pre-conditions to keep a check over the utilisation of amount of loans by the MCD and DJB were repeatedly relaxed or not strictly complied with, as mentioned below:

4.5.12.1.1 Municipal Corporation of Delhi (MCD)

To execute developmental works in the rural and urban areas of the city of Delhi, the Urban Development Department of GNCTD issued Plan Loans of ₹ 693.60 crore to Municipal Corporation of Delhi (MCD) under the Major Head 6217- Loans for Urban Development during the period 2006-07 to 2009-10 as detailed below:

(₹ in crore)		
Year	No. of Plan Schemes	Amount of Plan Loan
2006-07	05	170.00
2007-08	05	188.30
2008-09	05	178.30
2009-10	06	157.00
Total		693.60

The conditions for submission of the utilisation certificates, physical progress report in respect of earlier instalment of loans and annual action plan for the year along with targets fixed for the plan schemes were continuously relaxed which resulted in diversion of funds as discussed below:

(a) Diversion of Funds

It was pointed in the C&AG's Audit Report on the Government of NCT of Delhi (Civil & Commercial) for the year ended March 2009 that for works undertaken by MCD under the Plan Scheme "Development works in regularised un-authorised colonies" during the period 2006-07 to 2008-09, in complete disregard to the conditions of sanction orders, MCD transferred ₹ 20.40 crore from Plan Head to Non-Plan head in the form of supervision and establishment charges. **Approval of the Administrative Department/ Finance Department was not obtained for such diversion.** The fact was also not depicted in the utilisation certificates subsequently submitted by the MCD to the Administrative Department.

This diversion of funds from Plan to Non-Plan head could not be detected by the Administrative/Finance Department, as these agencies did not insist on a regular inflow of utilisation certificates and physical progress report of works undertaken by the MCD, as prescribed in the loan sanctioning orders.

4.5.12.2 Loans sanctioned to State Corporations

4.5.12.2.1 Transport Department- Delhi Transport Corporation (DTC)

The Transport Department of GNCTD issued Plan and Non-Plan loans to Delhi Transport Corporation (DTC) under the Major Head 7055- Loans for Road Transport.

During the period 2000-01 to 2006-07, Plan loans of ₹ 542.18 crore were issued to DTC to finance its capital expenditure for procurement of buses and development of related infrastructural facilities of bus depot/terminal etc. It was observed that since the year 2007-08 no plan loan was issued to DTC. Instead, the capital expenditure of DTC was financed in the shape of equity capital. During the period 2007-08 to 2009-10, a total of ₹ 1127.30 crore was invested by the Government of NCT of Delhi in DTC as equity capital. Also, during the year 2009-10, an equity capital of ₹ 120 crore was invested in the DTC under the JNNURM scheme.

DTC is incurring losses since its inception partly due to existing fare structure and issuance of various concessional passes to different sections of the society as a social policy. In the absence of adequate internal resources, the Corporation is dependent on the Non-Plan Ways and Means interest bearing loans from the Government of NCT of Delhi to meet its operating deficit/ salary requirements etc.

During the period 1996-97 to 2006-07, Non-Plan Loans of ₹ 4405.09 crore were issued to DTC. The non-plan deficit/ working loss of DTC was further aggravated due to pay revision based on the recommendations of the 6th Pay Commission. During the years 2007-08, 2008-09 and 2009-10 there was a consistent increase in the Ways and Means loans to DTC and ₹ 1092.07 crore, ₹ 1557.80 crore and ₹ 1981.28 crore respectively were released.

Due to weak financial position of the DTC and its inability to repay the instalments of principal and interest due on the amount of sanctioned Plan and Non-Plan loans in cash, since the year 2002-03 the Government of NCT of Delhi has started making a provision in the annual budget for recovery of interest on loans from DTC and a Non-Plan loan of the similar amount is issued to DTC, not in cash, but for recovery of its interest due, by way of book adjustment.

For the period 2006-07 to 2009-10, the details of working loss of DTC, Ways and Means loans received from Government of NCT of Delhi for meeting the working loss and servicing of previous loans by payment of interest due are as under:

(₹ in crore)

Year	Working Loss during the year	Ways & Means (Non-Plan) Loan			Plan Loan	Total loan	Percentage of servicing loan to total loan
		For meeting working loss	For servicing of loan (payment of interest)	Total			
2006-07	289.82	279.95	602.42	882.37	1.14	883.51	68.18%
2007-08	325.39	325.00	767.07	1092.07	0	1092.07	70.24%
2008-09	563.90	550.00	1007.80	1557.80	0	1557.80	64.69%
2009-10	683.50	665.00	1316.28	1981.28	0	1981.28	66.44%
Total	1862.61	1819.95	3693.57	5513.52	1.14	5514.66	66.98%

The above table indicates that during the period 2006-07 to 2009-10, the loans received by DTC to service its debt liability constituted 67 *per cent* of the total amount of loans received during this period. Further, out of the remaining 33 *per cent* except for ₹ 1.14 crore received in the year 2006-07 for purchase of auxiliary vehicles, the remaining amount of loans has been spent on unproductive purposes like payment of salaries, arrears, bonus etc.

4.5.12.2.2 Urban Development Department – Delhi Jal Board (DJB)

The DJB is consistently running in heavy losses due to very low tariff and low cost recovery which forces the DJB to rely on excessive loan assistance from the Government of NCT of Delhi. There was substantial hike in water tariff in the year 2005-06, despite that DJB continued to project huge working losses and remained in deep financial crisis.

In the absence of adequate internal resources and to bridge the revenue gap and to meet its non plan deficit including payment of arrears of 6th Pay commission, the DJB is dependent on Non-Plan interest bearing loans from the Government of NCT of Delhi. The Urban Development Department of Government of NCT of Delhi issued Non-Plan loans under the Major Head 7615- Misc. Loans to DJB.

For the period 2006-07 to 2009-10, the details of working loss of DJB, Non-Plan loans received from Government of NCT of Delhi for meeting the working loss and servicing of previous loans by payment of interest due are as under:

(₹ in crore)

Year	Working Loss during the year	Ways & Means (Non-Plan) Loan				Percentage of servicing loan to total non-plan loan
		For meeting working loss	For settlement of arrears of electricity dues	For servicing of loan (payment of interest)	Total	
2006-07	1506.02	100.00	200.00	474.34	774.34	61.26
2007-08	1567.09	200.00	0	586.62	786.62	74.57
2008-09	1918.33	350.00	0	609.40	959.40	63.52
2009-10	2034.32	380.00	0	1666.67	2046.67	81.43
Total	7025.76	1030	200	3337.03	4567.03	73.07

The above table indicates that during the period 2006-07 to 2009-10, the Non-Plan loans received by DJB to service its debt liability constituted 73 per cent of the total amount of loans received during this period. Further, the remaining 27 per cent of the amount of Non-Plan loans has been spent on un-productive purposes like payment of salaries, arrears, bonus etc.

In the exit conference Government stated that DTC and DJB have been asked to improve their finances. From the year 2011-12 onwards, no further loans will be issued to these public utilities, instead grants will be issued depending upon their performance. Further, the process of writing off of the loans already issued is under consideration.

4.5.13 Sanction of loans without stipulating terms and conditions

4.5.13.1 Industries Department

As per the Office Memorandum of the Department of Economic Affairs, Ministry of Finance, Government of India on the subject of loans and advances, interest rates and other terms and conditions, issued from time to time and adopted in the Civil Accounts Manual of the Government of NCT of Delhi, before sanctioning and disbursing a loan, the sanctioning authority is required to specify the terms and conditions which, *inter-alia*, include the date of commencement of payment of installments, rate of interest, its periodicity and the term within which the loans together with interest (including penal interest, if any) are to be repaid.

Test check of files containing the records relating to sanction of loans by the Industries Department of Government of NCT of Delhi revealed that a loan

amounting to ₹ 51.24 crore was sanctioned to DSIIDC during the year 2009-10 but no terms and conditions were specified in the sanction order for recovery of principal, interest and penal interest. This resulted in non-levy of interest and penal interest as detailed below:

(₹ in crore)					
Date of loan	Amount of Loan	Instalment due but not paid	Period of interest	Normal interest due but not paid	Penal interest due
16.03.2010	51.24	0.51*	17.03.2010 to 31.03.2011 (380 days)	6.13**	0.18***

* As per MOF OM, period of loan is taken as 10 years, ** Rate of normal interest is taken as 11.5 per cent per annum, *** Rate of penal interest is taken as 2.75 per cent per annum over and above the normal rate of interest.

We observed that before giving concurrence to the proposal, the Finance Department did not ensure that the loan was disbursed only after specifying the terms and conditions for repayment of principal and interest. This resulted in non-levy of interest of ₹ 6.13 crore and penal interest of ₹ 18.27 lakh.

Department in its reply (October 2011) has stated that finalisation of terms and conditions for repayment of loan and interest due is under process.

In the exit conference the Government stated that DSIIDC will shortly repay the amount of loan.

4.5.13.2 Department for Welfare of SC/ST/OBC

Test check of loan records of Department for Welfare of SC/ST/OBC of Government of NCT of Delhi revealed that during the period from 2002-03 to 2004-05, loans amounting to ₹ 1.98 crore were issued to Delhi SC/ST/OBC Financial Development Corporation (DSCFDC) under various schemes for the benefit of SC/ST/OBC/Minority Community. However, loan sanctioning orders did not contain the terms and conditions such as rate of interest, period of repayment, moratorium if any and penal interest for default of repayment. Neither the sanctioning authority nor the Finance Department, which vetted and concurred with the loan proposals had ensured that the terms of repayment and interest provisions were incorporated in the sanction orders.

During the period 2005-06 to 2006-07, further loans amounting to ₹ 2.49 crore were issued to DSCFDC under the schemes for the welfare of SC/ST/OBC/Minority Community. Loan sanctioning orders mentioned the period of loan and normal rate of interest. However, these did not contain the provisions for the date and year from which the repayment of loan was to commence and the rate of penal interest in case of default in repayment of instalment of loan and/or interest and were thus incomplete.

We also observed that in the absence of clear repayment terms in the sanction orders no details of repayments of any instalments or interest due are being maintained by the DSCFDC.

The above loan sanctioning orders without specific provisions for repayment of loan and interest thereon resulted in non-realisation of principal interest and penal interest as detailed below:

(₹ in lakh)

Years	Opening balance of out-standing loans	Loans issued during the year	Recoveries made during the year	Closing balance of out-standing loans	Interest due on the closing balance @ 4% per annum	Interest paid during the year	Interest overdue	Principal due on the opening balance considering the normal life of loan being 6 years	Principal overdue	Penal interest @ 2.75 per cent on overdue principal & interest
2006-07	1141.80	215.14	0	1356.94	54.28	0	54.28	190.30	190.30	6.73
2007-08	1356.94	0	0	1356.94	54.28	0	54.28	226.16	226.16	7.71
2008-09	1356.94	0	0	1356.94	54.28	0	54.28	226.16	226.16	7.71
2009-10	1356.94	0	0	1356.94	54.28	0	54.28	226.16	226.16	7.71
Total							217.12		868.78	29.86

In the exit conference the Government stated that the process of writing off of loans issued by Department for Welfare of SC/ST/OBC will be initiated shortly.

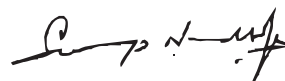
4.5.14 Conclusion

The outstanding loans of the State Government stood at ₹ 39219.78 crore at the end of March 2010 and the loans sanctioned increased by 41 *per cent* during the period, whereas the recovery effected never exceeded one *per cent* except in 2008-09 when it was 2.63 *per cent*. Due to sanction of loans to cash strapped State bodies, 98 *per cent* of the interest receipts were recovered by way of book adjustments, by fresh sanction of loans. The PAOs of the Administrative Departments did not maintain loan records showing the outstanding dues and the recoveries effected and neither issued any demands/levied penal interest on outstanding instalments. In absence of proper records, the budgeting for interest receipts by the Administrative Departments was a futile exercise. The State Government had never carried out an internal audit of the loans sanctioned and recoveries made. There were few instances of loans sanctioned without specifying terms of repayment of principal and interest.

4.5.15 Recommendations

The Government may consider the following recommendations:

- The loan records should be constructed and updated within a reasonable timeframe. Computerisation of loan records may be taken up on priority. The provisions of the Civil Accounts Manual should be adhered to and co-ordination between the Administrative Departments and PAOs be ensured.
- The Administrative/Finance Department should ensure that conditions for loans are strictly adhered to and loan sanction orders specify the terms of repayment of principal and interest.
- Budgeting of interest receipts should be streamlined and proposals should originate in the Administrative Departments as prescribed under the rules.
- Internal audit of PAO offices may be conducted on priority.
- The tendency to utilise a major portion of tax revenue for discharging its own debt liability and to help its loanees service their debt liability needs to be reviewed in interest of prudential financial management of Government finances.



New Delhi

Dated: 18 APR 2012

(S. NANDKEOLYAR)

Principal Accountant General (Audit), Delhi

Countersigned



New Delhi

Dated: 30 APR 2012

(VINOD RAI)

Comptroller and Auditor General of India