

**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
and
Social Sector and Economic Sector (PSUs)
for the year ended 31 March 2012**

Government of National Capital Territory of Delhi
Report No. 1 of the year 2013

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PREFACE

This Report is prepared for submission to the Lieutenant Governor of the National Capital Territory of Delhi under Article 151 of the Constitution of India. The Report is in two parts:

Part A presents the results of audit of receipts such as sales/value added tax, state excise, taxes on motor vehicles, stamp duty and registration fees and other tax and non-tax receipts of the Government of NCT of Delhi for the financial year ended March 2012.

Part B presents the introduction on Public Sector Undertakings (PSUs) (Social and Economic Sector), Performance Audit and findings arising from compliance audit of PSUs of the Government of NCT of Delhi for the same year.

The Report containing audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts is presented separately.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be dealt with in previous reports; matters relating to the period subsequent to 2011-12 have also been included wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

The Part A of the Report contains one Performance Audit and 16 paragraphs involving underassessment/short payment/loss of revenue etc. of ₹ 2363.11 crore. Some of the major findings are mentioned below:

I. General

The total revenue receipts of the State Government during the year 2011-12 were ₹ 22393.18 crore. Revenue of ₹ 20432.54 crore raised by the State Government comprises of tax revenue of ₹ 19971.67 crore and non-tax revenue of ₹ 460.87 crore and receipts from the Government of India were ₹ 1960.64 crore. The increase in tax revenue was 21.20 *per cent* over the previous year and the decrease in non-tax revenue was 88.99 *per cent* over the previous year.

(Paragraph 1.1)

Test check of the records of the Departments of Trade and Taxes, State Excise and Entertainment, Transport and Revenue, etc. conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue aggregating to ₹ 2706.11 crore in 1655 cases. During the year 2011-12, the Departments concerned accepted underassessment and other deficiencies of ₹ 19.14 crore in 1028 cases which have been pointed out by audit. Of these, the Departments recovered ₹ 1.23 crore in 187 cases during the year 2011-12.

(Paragraph 1.11)

II. Sales Tax/Value Added Tax

Irregular claim of exemption/concessional rate of tax without furnishing proper statutory forms resulted in short payment of tax of ₹ 2310.14 crore including interest of ₹ 404.30 crore.

(Paragraph 2.13)

Application of incorrect rate of tax resulted in short payment of tax of ₹ 1.69 crore including interest of ₹ 21.44 lakh and penalty of ₹ 74.67 lakh.

(Paragraph 2.14)

Irregular allowance of deduction on account of tax deducted at source without furnishing original copy of form DVAT-43 resulted in non-realisation of revenue of ₹ 3.50 crore including interest of ₹ 94.48 lakh.

(Paragraph 2.15)

Excess claim of input tax credit resulted in short payment of tax of ₹ 8.08 crore including interest of ₹ 1.27 crore and penalty of ₹ 3.40 crore.

(Paragraph 2.16)

Irregular deduction allowed on account of labour and services resulted in short payment of tax of ₹ 76.93 lakh including interest of ₹ 18.38 lakh.

(Paragraph 2.17)

Irregular adjustment to tax credit on account of purchase of second hand goods resulted in short payment of tax of ₹ 1.19 crore including interest of ₹ 19.59 lakh and penalty of ₹ 49.56 lakh.

(Paragraph 2.18)

Non-reversal of input tax credit in respect of goods transferred on F form resulted in non-realisation of revenue of ₹ 74.45 lakh including interest of ₹ 9.72 lakh and penalty of ₹ 33.76 lakh.

(Paragraph 2.20)

III. State Excise, Entertainment and Luxury Tax

Failure of the Department to maintain the complete record of the returns and challans submitted by the assesseees in support of payment of tax resulted in non-verification of correctness of the tax paid by assesseees.

(Paragraph 3.6.8)

Failure of the Department to collect tax and interest on belated payment of tax from cable operators amounting to ₹ 100 lakh besides interest of ₹ 11.00 lakh on late payment of tax.

(Paragraph 3.6.9.1)

Failure of the Department to recover the interest of ₹ 4.89 crore from DTH service providers on delayed deposit of tax.

(Paragraph 3.6.9.2)

Failure of the Department to pursue the arrears of entertainment tax of ₹ 1.26 crore from 12 cinema hall owners and luxury tax amounting to ₹ 9.76 crore from the hoteliers.

(Paragraphs 3.6.9.3 & 3.6.9.7)

64 appeals were filed against the assessments made by Luxury Tax Officers involving ₹ 4.64 crore between the periods 2007-08 and 2011-12 but appellate authority could decide only three cases. Moreover, the luxury tax is yet to be deposited by the hoteliers.

(Paragraph 3.6.9.8)

Short levy of luxury tax of ₹ 5.99 crore in six hotels due to non inclusion of hire charges/rent for banquet/conference halls received by the hoteliers as receipt of the hotels for the purpose of levy of luxury tax.

(Paragraph 3.6.9.9)

IV. Stamp duty and registration fee

Short levy of stamp duty and Registration fee on built up area of car parking/stilt parking resulted in short payment of stamp duty of ₹ 12.76 lakh.

(Paragraph 4.7)

Non implementation of the prescribed rates for buildings having more than four storey, resulted in short payment of stamp duty of ₹ 1.08 crore.

(Paragraph 4.8)

V. Motor Vehicle Tax

Non-observance of provisions of Acts/Rules resulted in non-transfer of revenue amounting to ₹ 8.93 crore to Government Accounts.

(Paragraph 5.7)

CHAPTER-1

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of National Capital Territory (NCT) of Delhi during the year 2011-12, grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given in **Table 1.1**:

Table 1.1: Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Revenue raised by the State Government					
	Tax revenue	11,782.80	12,180.70	13,447.85	16,477.75	19,971.67
	Non-tax revenue	1,816.70	2,300.72	3,467.40	4,188.95	460.87
2.	Receipts from the Government of India					
	Grants-in-aid	1,312.88	1,870.79	3,536.08	4,357.40	1,960.64
3.	Total revenue receipts of the State Government (1 and 2)	14,912.38	16,352.21	20,451.33	25,024.10	22,393.18
4.	Percentage of 1 to 3	91	89	83	83	91

Source: Revenue Receipts Report 2011 and Pay and Accounts Office, Delhi

The above table indicates that during the year 2011-12, the revenue raised by the State Government was 91 *per cent* of the total revenue receipts (₹ 22393.18 crore). The balance nine *per cent* of receipts was from the Government of India. The increase in tax revenue was 21.20 *per cent* over the previous year and the decrease in non-tax revenue was 88.99 *per cent* over the previous year.

1.1.2 Table 1.2 presents the details of tax revenue raised during the period from 2007-08 to 2011-12:

Table 1.2: Tax Revenue Receipts

(₹ in crore)

Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) in 2011-12 over 2010-11
1.	Taxes on sales, trade, etc.	8,310.49	9,152.09	10,126.01	12,068.62	13,750.95	(+)13.94
2.	State Excise	1,301.25	1,420.91	1,643.56	2,027.09	2,533.72	(+)24.99
3.	Stamps and Registration fee	1,318.40	788.01	929.97	1,355.75	2,240.25	(+)65.24
4.	Taxes on vehicles	420.20	419.12	462.65	707.55	1,049.19	(+)48.28
5.	Other taxes	432.46	400.57	285.66	318.74	397.55	(+)24.73
	Total	11,782.80	12,180.70	13,447.85	16,477.75	19,971.66	(+)21.20

Source: Revenue Receipts Report 2011 and Pay and Accounts Office, Delhi

The concerned Departments reported the following reasons for increase in receipts during 2011-12 over those of 2010-11.

Taxes on sales, trade etc.: The increase was due to registration of more dealers and conducting more enforcement surveys.

State excise: The increase was due to implementation of new duty structure w.e.f. 1st July 2011.

Stamps and Registration fee: The increase was due to revision of circle rates notified in February 2011 and increase in registration fee collection after removing the maximum cap of ₹ 50000.

Taxes on vehicles: The increase was due to increase in sale of vehicles and also due to increase in levy of additional tax on diesel vehicles.

1.1.3 Table 1.3 presents the details of non-tax revenue raised during the period 2007-08 to 2011-12:

Table 1.3: Non-Tax Revenue Receipts

(₹ in crore)							
Sl. No.	Head of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1.	Interest receipts	1,634.79	2,101.41	3,236.61	3,869.84	174.14	(-)95.50
2.	Dividend & profit	31.15	29.92	41.56	46.59	33.00	(-)29.17
3.	General services	85.20	64.91	93.41	101.84	128.58	(+)26.25
4.	Social services	37.47	54.53	56.13	61.59	79.48	(+)29.05
5.	Economic services	28.09	49.95	39.69	109.08	45.67	(-)58.13
Total		1,816.70	2,300.72	3,467.40	4,188.94	460.87	(-) 88.99

Source: Revenue Receipts Report 2011 and Pay and Accounts Office, Delhi

The reasons for increase/decrease in receipts during 2011-12 over those of 2010-11 as given by the concerned departments are as under:

Interest receipts: The decrease was because of the practice of recovery of interest dues from DJB and DTC by converting the same into non-plan loans which has been dispensed from 2011-12.

Dividend and profit: The decrease was based on actual profits and various other policies of dividend declared by the companies.

General services and Social services: The increase was due to increased number of service takers/service providers and fines etc. collected.

Economic services: The decrease was due to specific shortfall in revenue of village and small industries.

1.2 Variations between the budget estimates and actual receipts

The variations between the budget estimates and actual collection of revenue receipts for the year 2011-12 in respect of principal heads of tax and non-tax revenue are mentioned in **Table 1.4:**

Table 1.4: Revised estimates and Actual receipts

(₹ in crore)

Sl. No.	Head of revenue	Revised estimates	Actuals	Variation excess (+)/ shortfall (-)	Percentage of variation
Tax revenue					
1.	Taxes on sales, trade, etc.	14000.00	13750.95	(-)249.05	(-)1.78
2.	State Excise	2400.00	2533.73	(+)133.73	(+)5.57
3.	Stamps and Registration fee	2399.97	2240.25	(-)159.72	(-)6.66
4.	Taxes on vehicles	950.00	1049.19	(+)99.19	(+)10.44
5.	Other taxes	378.00	397.55	(+)19.55	(+)5.17
Non-tax revenue					
1.	Interest receipts	369.81	174.14	(-)195.67	(-)52.91
2.	Dividend and profit	45.00	32.99	(-)12.01	(-)26.69
3.	General services	109.54	128.58	(+)19.04	(+)17.38
4.	Social services	73.32	79.48	(+)6.16	(+)8.40
5.	Economic services	42.80	45.67	(+)2.87	(+)6.71

Source: Receipts Budget 2012-2013 and Pay and Account Office, Delhi

The Department stated that estimates are based on past trend as well as actual receipts upto the month of September/October of the previous year and the estimates were prepared 16 to 18 months in advance and there are every possibility of variation between budget estimates and actual receipts.

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2009-10 to 2011-12, along with the relevant all India average percentage of expenditure on collection to gross collection for the year

2010-11 are given in the **Table 1.5:**

Table 1.5: Cost of collection

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2010-11
Taxes on sales, trade etc.	2009-10	10126.01	50.83	0.50	0.75
	2010-11	12068.62	50.69	0.42	
	2011-12	13750.95	53.67	0.39	
State excise	2009-10	1643.56	8.75	0.53	3.05
	2010-11	2027.09	9.44	0.47	
	2011-12	2533.73	10.79	0.43	
Stamps and Registration fee	2009-10	929.97	19.53	2.10	1.60
	2010-11	1355.75	19.30	1.42	
	2011-12	2240.25	31.60	1.41	
Taxes on vehicles	2009-10	462.65	34.34	7.42	3.71
	2010-11	707.55	37.03	5.23	
	2011-12	1049.19	31.79	3.03	

Source: State Finance Report 2011 & Pay and Accounts Office, Delhi

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of some principal heads of revenue amounted to ₹ 15254.20 crore of which ₹ 15249.16 crore is related to sales tax/value added tax as mentioned in **Table 1.6:**

Table 1.6: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2012	Amount outstanding for more than 5 years	Remarks
1.	Taxes on sales, trade etc.	15249.16	1010.60	
2.	State excise	5.04	0.31	As on 31 March 2012, the total outstanding demand was ₹ 3.52 crore, out of which a demand of ₹ 0.91 crore is under appeal and a demand of ₹ 0.63 crore has been remanded back for fresh assessment. Apart from above, a recovery amounting to ₹ 0.31 crore with interest is also pending with arbitrator.
Total		15254.20	1010.91	

The arrears of revenue receipts were reported as nil by the Revenue Department (Stamps and Registration). The Transport Department stated that the amount of arrears could not be ascertained till date (December 2012).

1.5 Arrears in assessment

The details of pending assessments for the years 2009-10 to 2011-12 are mentioned in **Table 1.7**:

Table 1.7: Arrears in assessment

Year	Opening balance	Cases which became due for assessment	Total	Cases disposed of during the year	Cases pending at the end of the year
Department of Trade & Taxes					
2009-10	5559	94521	100080	95135	4945
2010-11	4945	85360	90305	85720	4585
2011-12	4585	144115	148700	146774	1926
Department of State Excise					
2009-10	1152	725	1877	455	1422
2010-11	1422	854	2276	584	1692
2011-12	1692	879	2571	834	1737

The Revenue Department (Stamps and Registration) and the Transport Department reported the arrears in assessment as nil.

1.6 Evasion of tax

The number of cases of evasion of tax detected by the Department of Trade and Taxes during the years 2009-10, 2010-11 and 2011-12 as reported by it were 1451, 1843 and 871 respectively. Variations of ₹815.59 crore between the figures as per Accounts and that physically verified during raids conducted by the Enforcement Branch were reported during the year 2011-12 as shown in **Table 1.8**:

Table 1.8: Evasion of tax

(₹ in crore)		
Sl. No.	Type of variation	Amount detected
1.	Cash variation	16.19
2.	Stock variation	284.20
3.	Seizure detected	515.20
Total		815.59

The cases detected by the branch, were then forwarded to the concerned assessing authorities of the department for further necessary action.

The Department of State Excise and the Revenue Department (Stamps and Registration) stated the number of cases of evasion of tax as nil.

1.7 Refunds

The number of cases of refund allowed during the year 2011-12, as reported by the concerned departments, is mentioned in **Table 1.9**:

Table 1.9: Refunds

Name of the department	No. of cases	(₹ in crore)
		Amount
Department of Trade and Taxes	22790	356.04
Transport Department	23	0.02
Revenue Department (Stamps and Registration)	2836	32.57
State Excise	14	0.19

1.8 Response of the Departments/Government towards Audit

1.8.1 Failure of senior officials to enforce accountability and protection of the interest of the State Government

The Principal Accountant General (Audit), Delhi, (Pr.AG) conducts periodical inspection of the Government departments to test check the transactions and to verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the issue of inspection reports (IRs) incorporating irregularities detected during the inspection but not settled on the spot, to the Heads of the Offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Pr.AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the Head of Departments and the Government.

Inspection reports issued up to December 2011 disclosed that 10028 paragraphs involving ₹8938.03 crore relating to 483 IRs remained outstanding at the end of June 2012 as mentioned in the **Table 1.10**, along with the corresponding figures for the preceding two years.

Table 1.10: Outstanding IRs/Paragraphs

	June, 2010	June, 2011	June.2012
Number of outstanding IRs	341	360	483
Number of outstanding audit paragraphs	6002	7867	10028
Amount involved (₹ in crore)	3920.65	6619.49	8938.03

The department-wise details of the IRs and audit paragraphs outstanding as on 30 June 2012 and the money value involved are mentioned in **Table 1.11**:

Table 1.11: Department wise outstanding IRs/Paragraphs

(₹ in crore)

Sl. No.	Names of Departments	Nature of receipts	Number of outstanding IRs	Number of outstanding audit paragraphs	Money value involved
1.	Trade and Taxes	Taxes/VAT on sales, trade <i>etc</i>	388	9629	8918.44
2.	Excise	State excise	7	27	11.42
3.	Transport	Taxes on motor vehicles	40	87	4.08
4.	Revenue (Stamps and Registration)	Stamps and registration fees	48	285	4.09
Total			483	10028	8938.03

The large pendency of IRs was due to non-receipt of replies and is indicative of the fact that the Head of Offices and Head of Departments had failed to initiate action to rectify the defects, omissions and irregularities pointed out by the Pr.AG in IRs.

It is recommended that the Government may take suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as for taking action against officers/officials who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and take action to recover loss/outstanding demand in a time bound manner.

1.8.2 Departmental Audit Committee Meetings

The Government set up Audit Committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs therein. The details of the audit committee meetings held during the year 2011-12 and the paragraphs settled are mentioned in **Table 1.12**:

Table 1.12: Department Audit Committee Meetings

(₹ in crore)

Head of revenue	Number of meetings held	Number of paragraphs settled	Amount
Sales Tax	8	583	503.85
Total	8	583	503.85

The progress of settlement of paragraphs pertaining to Sales Tax was insignificant as compared to the huge pendency of 9629 paragraphs, despite holding departmental audit committee meetings.

It is recommended that the Government may hold more meetings and make concrete efforts for settling the outstanding paragraphs.

1.8.3 Non-production of records to Audit for scrutiny

The programme of local audit of the Department of Trade and Taxes, Department of State Excise, Entertainment and Luxury Tax, Transport Department, Revenue Department (Stamps and Registration) is drawn up sufficiently in advance and intimations are issued usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During 2011-12, the tax assessment records relating to three offices involving 1601 cases were not made available to Audit. Of the 1601 cases, 1599 cases related to Department of Trade and Taxes. Year wise break-up of such offices, which did not provide records, is given in the **Table 1.13:**

Table 1.13: Non-production of records

Name of Office	Year in which it was to be audited	Number of assessment cases not audited	Number of cases in which revenue involved could be ascertained
Stamps and registration	2011-12	1	Nil
Transport	2011-12	1	Nil
Department of Trade and Taxes	2011-12	1599	Nil
Total		1601	

The revenue involved in the above cases could not be ascertained, as the records were not made available to Audit for scrutiny.

1.8.4 Response of the Departments to the draft audit paragraphs

Draft paragraphs proposed for inclusion in the Audit Report are forwarded by the Pr.AG to the concerned departments through demi-official letters. All the Departments are required to furnish their remarks within six weeks of their receipt. The fact of non-receipt of replies from the Government is indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs clubbed into 17 paragraphs (including one Performance Audit) proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2012 were forwarded to the respective Departments and the Government by July 2012. The replies from the Department were received in parts in respect of all the paragraphs.

1.8.5 Follow up on Audit Reports – summarised position

Once the Reports of the Comptroller and Auditor General of India are placed in the State Legislative Assembly, the various Departments are required to

submit Action Taken Notes (ATNs) on all paragraphs contained therein for consideration of the Public Accounts Committee (PAC). Undue delay in submission of ATNs dilutes the accountability of the Executive to the Legislature. The position of outstanding ATNs on paragraphs and reviews included in the Report relating to Revenue Receipts of the Comptroller and Auditor General of India, on Government of NCT of Delhi as on October 2012 is mentioned in the **Table 1.14**:

Table 1.14: Outstanding Action Taken Notes

Sl. No.	Year of Report ending 31 March	Number of paragraphs and reviews printed in Report	Number of paragraphs and reviews for which ATNs were awaited
1.	2004	20+3 (Reviews)	3+1 (Review)
2.	2005	26+1 (Review)	1+0 (Review)
3.	2006	19+1 (Review)	0+1 (Review)
4.	2007	15+1 (Review)	0+1 ¹ (Review)
5.	2008	9+2 (Reviews)	0+2 ² (Reviews)
6.	2009	13+2 (Reviews)	13 ³ +2 (Reviews)
7.	2010	17+1 (Review)	16+1 ¹ (Review)
8.	2011	12+3 (Reviews)	12+3 (Reviews)

1 ATN received partially.

2 ATN in respect of one review received partially.

3 For the year 2009, ATNs on 4 paragraphs received but partially.

The Government needs to review the pending Action Taken Notes and take expeditious action.

1.8.6 Compliance to earlier Audit Reports

In respect of the paragraphs featured in the Audit Reports 2006-07 to 2010-11, the Department/Government accepted audit observations involving revenue of ₹ 453.59 crore, of which only ₹1.04 crore was recovered till October 2012 as mentioned in **Table 1.15**:

Table 1.15: Recovery against accepted cases

Year of the Audit Report	Money value of Audit Reports	Money value of accepted cases	(₹ in crore)
			Amount recovered
2006-07	254.93	209.06	0.27
2007-08	945.52	28.17	0.18
2008-09	1729.62	109.00	0.14
2009-10	1764.20	49.36	0.39
2010-11	1479.98	58.00	0.06
Total	6174.25	453.59	1.04

As against accepted money value of ₹453.59 crore, only ₹ 1.04 crore (0.23 per cent) were recovered during the last five years.

It is recommended that the Government may make efforts for early recovery in the accepted cases.

1.9 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Departments/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last eight years in respect of Department of Trade and Taxes is evaluated and included in each Audit Report.

The succeeding paragraphs 1.9.1 to 1.9.2.2 discuss the performance of the Department of Trade and Taxes to deal with the cases detected in the course of local audit, conducted during the last eight years and also the cases included in the Audit Reports for the years 2004-05 to 2011-12.

1.9.1 Position of Inspection Reports

The summarised position of inspection reports issued during the last *eight* years, paragraphs included in these reports and their status as on 31 March 2012 are tabulated in the **Table 1.16**:

Table 1.16: Inspection Reports

(₹ in crore)

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2004-05	1145	10821	1127.42	93	1436	306.27	668	7468	404.91	570	4789	1028.78
2005-06	570	4789	1028.78	81	1377	399.89	227	1916	174.95	424	4250	1253.72
2006-07	424	4250	1253.72	64	880	320.51	265	2548	543.25	223	2582	1030.98
2007-08	223	2582	1030.98	62	1329	1077.42	79	1266	349.89	206	2645	1758.51
2008-09	206	2645	1758.51	89	2265	1748.24	6	429	413.39	289	4481	3093.36
2009-10	289	4481	3093.36	108	2972	2900.71	11	301	218.47	386	7152	5775.60
2010-11	386	7152	5775.60	54	2009	1831.89	85	564	434.09	355	8597	7173.40
2011-12	355	8597	7173.40	96	2204	3079.27	24	657	394.02	427	10144	9858.65

Audit Committee meetings are arranged between the Departments and this office and these Committees settle the old paragraphs on the spot. It is evident from the given table that due to vigorous efforts, against 570 IRs with 4789 outstanding paragraphs at the end of 2004-05, the number of outstanding IRs declined to 427 with 10144 paragraphs at the end of 2011-12.

1.9.2 Assurances given by the Department/Government on the issues highlighted in the Audit Reports

1.9.2.1 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last six years, those accepted by the Department and the recoveries made are mentioned in the **Table 1.17**:

Table 1.17: Recovery of accepted cases

Year of Report ending 31 March	Number of paragraphs included	Money value of the paragraphs	Money value of accepted paragraphs	Amount recovered during the year	(₹ in crore)
					Cumulative position of recovery of accepted cases
2005	27	402.36	55.65	0.18	0.18
2006	20	177.85	11.52	0.11	0.29
2007	16	254.93	16.54	0.08	0.37
2008	11	945.52	70.75	0.14	0.51
2009	15	1729.62	428.96	0.04	0.55
2010	18	1764.20	0.52	0.52	1.07

It is evident from the above data that the action taken by the Government on the paragraphs was insufficient and they need to take action to recover the revenue involved, at least in the accepted cases.

1.9.2.2 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audits/Reviews conducted by the Pr.AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These Performance Audits are also discussed in an exit conference and the Department's/Government's views are included while finalising the Performance Audits for the Audit Reports.

The following Performance Audits on the Department of Trade and Taxes, State Excise, Entertainment and Luxury Tax, and Transport Department featured in the last six Audit Reports are mentioned in **Table 1.18**, however, none of these Performance Audits have been taken up by the Public Accounts

Committee (PAC) for discussion.

Table 1.18: Action Taken on recommendations

Year of IR	Name of the Review	Number of recommendations	Status
2005-06	Assessment, levy & Collection of Entertainment, betting & luxury tax	3	Reply not furnished by the Department.
2006-07	Exemption of tax on account of Export and High Sea Sale	3	Subsequent audits revealed that Department has not implemented the recommendations.
2007-08	Performance appraisal of exemption of Central Sales Tax on account of branch transfer/ consignment sale	4	Reply not furnished by the Department.
	Information Technology Audit of the Department of Transport	5	Subsequent audits revealed that Department has not implemented the recommendations.
2008-09	Assessment, levy and collection of tax on Works Contract	3	Reply not furnished by the Department.
	Transition from Delhi Sales Tax to the Delhi Value Added Tax	4	Reply not furnished by the Department.
2009-10	Levy and collection of Stamp Duty and Registration Fee	5	Department has implemented one recommendation by conceptualization of a plan to make a modern central registry to safely keep the registered documents pertaining to the offices of all the sub Registrars both in physical and digitalised form.
2010-11	Utilization of declaration forms in Inter-state Trade & Commerce	4	Reply not furnished by the Department.
	Computerisation in Motor Vehicles Department	5	Reply not furnished by the Department.
	Performance audit on Interest Receipts	5	Reply not furnished by the Department.

1.10 Audit planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in Government revenues and tax administration i.e. budget speech, white paper on state finances, reports of the Finance Commission (State and Central), recommendations of the taxation reforms committee, statistical analysis of the

revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years etc.

During the year 2011-12, the audit universe comprised of 111 auditable units, of which 95 units were planned and 89 units were audited during the year 2011-12 which is 93.68 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, one Performance Audit was also taken up to examine the efficacy of the tax administration of these receipts.

1.11 Result of Audit

1.11.1 Position of Local Audits conducted during the year

Test check of the records of the Department of Trade and Taxes, State Excise, Entertainment, Transport and Revenue Department conducted during the year 2011-12 revealed underassessment/short levy/loss of revenue aggregating ₹ 2706.11 crore in 1655 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 19.14 crore involved in 1028 cases. The Departments recovered ₹ 1.23 crore in 187 cases during the year 2011-12.

1.11.2 About this Report

This report contains one Performance Audit on “**Mechanism of assessment, levy and collection of taxes on Entertainment, Betting and Luxury**” and 16 paragraphs wherein audit has pointed out several system and compliance deficiencies, besides short/non-levy of tax, duty and interest, penalty etc., involving financial effect of ₹ 2363.11 crore of which ₹ 19.14 crore has been accepted by the Department. These are discussed in succeeding Chapters II to V.

CHAPTER-2

SALES TAX/ VALUE ADDED TAX

2.1 Tax administration

Value Added Tax (VAT) is a tax on value addition. It is a multi-point tax, which is levied at every stage of sale. It is collected at the stage of manufacture/resale and contemplates rebating of the tax paid on inputs and purchases, thereby providing revenue to the Government on value addition at every stage.

The receipts from VAT are administered by the Commissioner of the Department of Trade and Taxes (DTT) assisted by four Special Commissioners. There are ten zones each headed by the Joint Commissioners/Deputy Commissioners who work under the Additional Commissioners and supervise the work of the Value Added Tax Officers (VATOs) and the Assistant Value Added Tax Officers (AVATOs) and the Inspectors working in the wards under their control. Delhi has been divided into 108 wards headed by the VATOs.

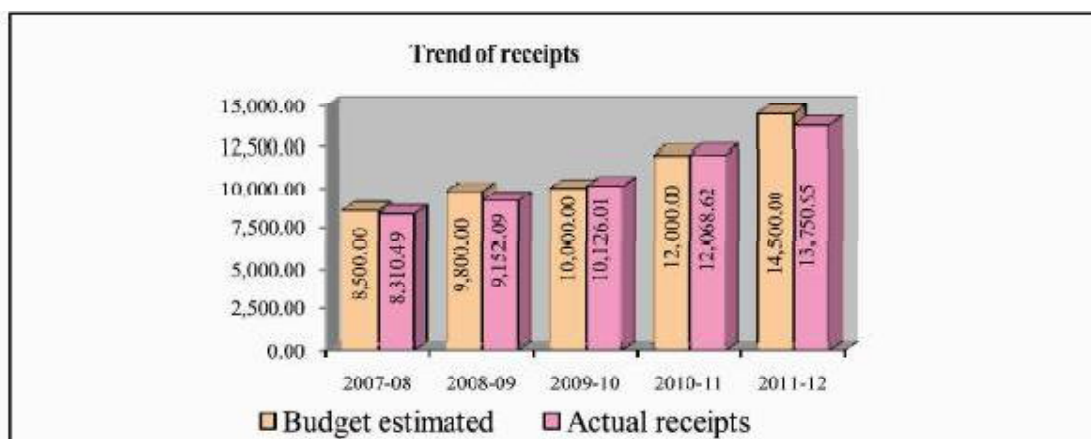
2.2 Trend of receipts

Actual receipts from VAT during the last five years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the **Table 2.1** and **Graph**:

Table 2.1: Revenue receipts

(₹in crore)

Year	Budget estimates (BEs)	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual VAT receipts vis-a-vis total tax receipts
2007-08	8,500.00	8,310.49	(-) 189.51	(-) 2.23	11,782.80	70.53
2008-09	9,800.00	9,152.09	(-) 647.91	(-)6.61	12,180.70	75.14
2009-10	10,000.00	10,126.01	(+) 126.01	(+)1.26	13,447.86	75.30
2010-11	12,000.00	12,068.62	(+) 68.62	(+)0.57	16,477.75	73.24
2011-12	14,500.00	13,750.95	(-) 749.05	(-) 5.17	19,971.67	68.85



2.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 amounted to ₹ 15249.16 crore of which ₹ 9253.44 crore were outstanding for more than five years. The position of arrears of revenue during the period 2007-08 to 2011-12 is given in **Table 2.2**:

Table 2.2: Arrears of revenue

(₹ in crore)

Year	Opening balance of arrears	Additions during the year	Amount collected during the year	Closing balance of arrears
2007-08	9253.44	193.23	982.71	8463.96
2008-09	8463.96	534.79	324.63	8674.12
2009-10	8674.12	2060.95	790.69	9944.38
2010-11	9944.38	2291.80	465.30	11770.88
2011-12	11770.88	3846.79	368.51	15249.16

It would be seen from the above table that the arrears of revenue have increased during the year 2007-08 to 2011-12. Major part of arrears of ₹ 7224.93 crore related to Delhi Sales Tax (DST) regime is also included in the closing balance of arrears of ₹ 15249.16 crore.

2.4 Assessee profile

The total number of dealers registered during 2011-12 was 233035 out of which monthly and quarterly dealers were 15825 and 217210 respectively. 1349 dealers were large tax payers based on tax deposited of more than one crore and 93387 dealers were small dealers based on tax deposited of less than one lakh. 233035 dealers were required to file the returns as on 31 March 2012 out of which 202632 dealers filed their returns.

2.5 Cost of VAT per assessee

The VAT per assessee during the year and the preceding three years is shown in **Table 2.3**:

Table 2.3: Cost of VAT per assessee

(₹ in lakh)

Year	Total number of assessees	Cost of collection	Cost of VAT per assessee
2009-10	219902	5097.00	0.02
2010-11	231833	5080.00	0.02
2011-12	233035	5367.00	0.02

It may be seen from the given table that the cost of VAT per assessee is same during the last three years.

2.6 Arrears in assessment/scrutiny

The number of cases pending assessment/scrutiny at the beginning of the year, becoming due during the year, disposed during the year and pending at the end of the each year during 2009-10 to 2011-12 as furnished by the DTT on Sales/VAT etc. are as mentioned in **Table 2.4**:

Table 2.4: Arrear in assessment

Year	Opening balances		Cases which became due for assessment*/scrutiny**		Total		Cases disposed of during the year		Cases pending at the end of the year	
	DST Regime	DVAT Regime	DST Regime	DVAT Regime	DST Regime	DVAT Regime	DST Regime	DVAT Regime	DST Regime	DVAT Regime
2009-10	5559	80059	390	105185	5949	185244	1004	94131	4945	91113
2010-11	4945	91113	634	42553	5579	133666	994	84726	4585	48940
2011-12	4585	48940	555	207155	5140	256095	3214	143560	1926	112535

* as per Sec. 31 of the DVAT Act, 2004 where a return is furnished by a person as required under section 26 or 27 of this Act which contains the prescribed information and complies with the requirements of this Act and the rules. The return is deemed to be a notice of assessment and to be under the hand of the Commissioner.

** As per notification dated 23.6.05 issued by the Deptt. the VATO/AVATO would scrutinise the returns: (i) 100 per cent scrutiny for gross turnover of more than five crore, (ii) 50 per cent scrutiny for gross turnover between two and five crore, (iii) 25 per cent scrutiny for gross turnover between one and two crore, (iv) two per cent scrutiny for gross turnover below one crore.

2.7 Cost of collection

The gross collection in respect of the VAT revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection for the year 2010-11 are mentioned in **Table 2.5**:

Table 2.5: Cost of collection

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2009-10
Taxes on sales, trade etc.	2009-10	10126.01	50.97	0.50	0.75
	2010-11	12068.62	50.80	0.42	
	2011-12	13750.95	53.67	0.39	

From the above table, it is evident that the percentage of expenditure on collection of taxes on sales, trade etc. was less than the all India average percentage for all the years 2009-10 to 2011-12.

2.8 Analysis of collection

The collection of revenue on taxes on sales, trade etc. has increased from ₹ 10126.01 crore during 2009-10 to ₹ 13750.95 crore during the year 2011-12 whereas the percentage of expenditure on collection has decreased from 0.50 *per cent* to 0.39 *per cent* during the same period.

2.9 Revenue impact

During the last five years (including the current year's report), Audit through its audit reports had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation etc., with revenue implication of ₹ 5471.97 crore in 61 paragraphs. Of these, the Department/Government has accepted audit observations involving ₹ 516.25 crore and has since recovered ₹ 0.26 crore. The recovery position as compared to acceptance of objections was only 0.05 *per cent*. The details are shown in **Table 2.6**:

Table 2.6: Revenue impact

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraph accepted*	Amount recovered*
	No	Amount	Amount	Amount
2006-07	12	59.71	16.54	0.08
2007-08	9	929.83	70.75	0.14
2008-09	12	1706.46	428.96	0.04
2009-10	15	1296.86	0.00	0.00
2010-11	13	1479.11	0.00	0.00
Total	61	5471.97	516.25	0.26

*Note: *A review has been considered as one paragraph. Therefore, only amounts accepted by the Department have been taken into the 'Paragraph accepted' figure.*

2.10 Internal audit

The DTT has an Internal Audit Cell (IAC) under the charge of the Additional Commissioner (Audit). This cell was to conduct test check of cases of assessment as per the approved action plan and in accordance with the criteria decided by the Steering Committee so as to ensure adherence to the provisions of the Act and Rules as well as Departmental instructions issued from time to time.

On this being pointed out by Audit, the DTT stated that Annual plan for conducting Internal Audit by the Internal Audit Cell of the Department for the year 2008-09 and 2009-10 was laid down to decide the criteria for selection of cases. Annual Plan for further periods was not laid down.

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

the Department has been conducted for expenditure only by the Directorate of Audit, Government of NCT of Delhi upto 2011-12.

2.11 Results of audit

Audit noticed, during the test check of the records of **53** units relating to VAT, an underassessment of tax and other irregularities involving ₹ **2667.19** crore in **1469** cases which fall under the categories as given in the **Table 2.7**:

Table 2.7: Category wise details of under assessment

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1.	Irregular claim of exemption/concessional rate of tax on statutory forms	1104	2310.14
2.	Application of incorrect rate of tax	4	1.69
3.	Irregular deduction claimed on account of TDS	9	3.50
4.	Excess claim of input tax credit	15	8.08
5.	Irregular allowance of refund	4	0.75
6.	Irregular deduction allowed on account of labour and services	1	0.77
7.	Irregular adjustment of tax credit on account of purchase of second hand goods	1	1.19
8.	Incorrect claim of exemption on 'F' forms containing multiple month transactions	1	0.47
9.	Non reversal of input tax credit in respect of goods transferred on F forms	1	0.74
10.	Incorrect claim of concessional rate/exemption of tax on defective Statutory (C) forms	4	0.26
11.	Irregular claim of exemption on stock transfer	1	0.18
12.	Irregular claim of refund/reduction of tax through revised return	5	0.39
13.	Short payment of tax	1	0.15
14.	Others	318	338.88
Total		1469	2667.19

These cases are discussed in the succeeding paragraphs.

2.12 Audit observations

From the scrutiny of assessment records of value added tax (VAT), Audit observed several cases of claim of concession/exemption without production of prescribed statutory forms/or on defective forms, concealment of sale/purchase/stock, excess claim of deduction, irregular claim of exemption etc. which resulted in short levy of tax as discussed in the succeeding paragraphs. These cases are illustrative and are based on the cases noticed during the test check carried out by Audit. Audit pointed out such omissions on the part of Assessing Authorities (AA) each year; but not only do the irregularities persist but they remain undetected till an audit is conducted. There is need for the Government to improve the internal control system so that occurrence of such cases can be avoided, detected and corrected.

2.13 Irregular claim of exemption/concessional rate of tax on statutory forms

Under the provisions of the CST Act and Rules, a dealer may claim exemption/concessional rate of tax for the goods under the inter state trade (a) in respect of any goods on the ground that the movement of goods was occasioned by transfer of such goods by him to any other place of his business or to his branch or to his agent or principal as the case may be (b) sale of goods by one registered dealer if the dealer furnishes a declaration in form 'C' covering all the transactions of sales (c) where sale of any goods has been effected by a transfer of documents of title to such goods during their movement from one State to another (sale in transit), to the Government or to a registered dealer (d) in the case of export sale or sale made to a unit situated in a Special Economic Zone, exemption is admissible subject to the furnishing of 'H' forms or 'I' forms, as the case may be. For claiming the exemption/concessional rate of tax, the dealer is required to furnish the statutory forms, like Forms F, C, EI, EII, H and I as prescribed under the CST Acts and Rules. In case of default in submission of the forms, the transactions are required to be assessed at the rate applicable in the State.

Audit noticed during the test check of the records of Department of Trade and Taxes (DTT) between April 2011 and March 2012 that in 1104 cases, for the assessment year 2009-10, the dealers claimed exemption/concessional rate of tax on ₹ 28255.25 crore on account of branch transfer/consignment sale, transit sales, sales to SEZ and export out of India as disclosed by them in Form I and in Form DVAT 51. Audit scrutiny indicated that the dealers had not submitted the required statutory forms by the dates prescribed by the Department (31 December 2010) for the said cases. Audit also noticed that in 184 cases, dealers had sought extension for submission of the statutory forms. However, even after expiry of the extended date, they failed to submit the forms. The Department has not taken action to assess returns of these dealers and disallow the exemption claimed by them. This had resulted in irregular exemption of tax of ₹ 1905.84 crore. Besides, interest of ₹ 404.30 crore was also leviable for

non-payment of tax. The details are given in the **Table 2.8:**

Table 2.8: Details of irregular exemption

(₹ in crore)						
Sl. No.	Transaction details	Number of cases	Transaction value	Tax payable	Interest leviable	Total
1.	In 71 wards ¹ the dealers did not submit prescribed F forms in support of branch transfer/consignment sale	359	19694.12	1427.73	302.76	1730.49
2.	In 81 wards ² the dealers did not submit prescribed C forms	638	5360.39	332.20	70.58	402.78
3.	In 49 wards ³ the dealers did not submit prescribed E1/E2 forms	88	2636.55	140.51	29.80	170.31
4.	In 14 wards ⁴ the dealers did not submit prescribed H forms	13	19.45	1.17	0.26	1.43
5.	In five wards ⁵ the dealers did not submit prescribed I forms	06	400.61	4.23	0.90	5.13
	Total	1104	28111.12	1905.84	404.30	2310.14

After audit reported the matter, the Department accepted the audit observations and stated that in 14 cases involving ₹ 2.06 crore demand has been raised. Further, report and reply on the remaining cases has not been received.

Audit reported the matter to the Government in August 2012, but has not received any reply.

2.13.1 Irregular allowance of refund

As per Section 38 of DVAT Act 2004 read with rules made there under, the Commissioner shall refund to a person the amount of tax, penalty and interest, if any, paid by such person in excess of the amount due from him within one month after the date on which the return was furnished or claim for the refund was made, if tax period

¹ Ward Nos. 1, 3, 7, 8, 11, 12, 14, 15, 16, 17, 27, 28, 29, 33, 37, 39, 43, 44, 45, 48, 51, 52, 53, 54, 56, 60, 61, 62, 63, 64, 65, 67, 68, 70, 71, 72, 74, 75, 77, 79, 80, 81, 82, 83, 84, 85, 86, 88, 89, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 104, 105, 106, 107, KCS I, KCS II, KCS III, KCS-IV, KCS-V and KCS-VI.

² Ward Nos. 1, 2, 3, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 22, 26, 27, 28, 29, 33, 36, 37, 39, 41, 43, 44, 45, 48, 51, 52, 53, 54, 55, 56, 58, 59, 60, 61, 62, 63, 64, 65, 67, 68, 69, 70, 71, 72, 74, 77, 79, 80, 81, 82, 83, 84, 88, 89, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 104, 105, 106, 107, KCS I, KCS II, KCS III, KCS-IV, KCS-V and KCS-VI.

³ Ward Nos. 2, 3, 7, 8, 11, 12, 13, 15, 19, 26, 28, 29, 33, 39, 41, 43, 44, 45, 51, 52, 53, 56, 62, 63, 64, 65, 66, 72, 74, 75, 77, 80, 82, 84, 89, 93, 94, 95, 96, 99, 100, 101, 102, 104, 104, KCS I, KCS II, KCS III and KCS-VI

⁴ ward Nos. 6, 8, 11, 17, 18, 33, 41, 62, 64, 71, 74, KCS-II, KCS III and KCS-IV

⁵ Ward Nos. 12, 19, 100, 102 and KCS-VI.

for the person claiming refund is one month or within two months if tax period for the person claiming refund is a quarter.

Further, as per circular No.2 of 2008-09 issued vide No.F6(58)/Policy-I/VAT/2008/237 dated 07.08.2008, the VATOs, before allowing the claim of refund, are required to check statutory forms received along with forms DVAT-51 with corresponding return(s) keeping in view the dates prescribed for submission of statutory forms. In case date(s) of filing such forms have already expired, the demand may be created in case of shortfall as per provision of Rule (4) of CST (Delhi) Rules 2005.

Audit noticed during the test check of records of two wards⁶ of DTT between April 2011 and March 2012 that in four cases relating to the assessment year 2009-10, the assessing authority had allowed the refund during 2009-10 and 2010-11 for ₹ 61.29 lakh to the dealers without scrutinising the tax liability of the dealers. In two cases, the dealers had not submitted the statutory forms and in other cases, the dealers had not submitted relevant document as per circular No.2 of 2008-09. This resulted in irregular refund of ₹ 61.29 lakh. Besides, interest of ₹ 13.62 lakh was also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.14 Application of incorrect rate of tax

Section 3 (2) of the DVAT Act, 2004 specifies that every dealer shall be liable to pay tax at the rate mentioned in schedules of Section 4 of the Act on every sale of goods effected by him. Section 86(12) of the Act, further provides that if any person furnishes incorrect returns, the Commissioner may assess or reassess the amount of tax due for a tax period. Short payment of tax attracts penalty at the rate of one *per cent* of tax deficiency per week or ₹ 100 per week for the period of default, whichever is higher and interest computed thereon on daily basis @ 15*per cent* per annum.

Audit noticed during the test check of the records of four wards⁷ of DTT between April 2011 and March 2012 that in four cases relating to the assessment year 2009-10, the dealers paid tax on sale valued at ₹ 13.07 crore at rates lower than those prescribed in the Act. However, the assessing authority did not scrutinize the returns of the dealers to ascertain the correctness of rate at which tax was required to be paid. This resulted in short payment of tax of ₹ 73.20 lakh. Besides, interest of ₹ 21.44 lakh and penalty of ₹ 74.67 lakh were also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.15 Irregular deduction claimed on account of Tax Deducted at Source

Under Section 36A of the DVAT Act 2004 and Rules made there under, any person, not being an individual or Hindu undivided family, who is responsible for making

⁶ Ward Nos. 16, 71

⁷Ward Nos. 74, 84, 96 and KCS-I.

payment to any dealer/contractor for discharge of any liability on account of valuable consideration payable for the transfer of property in goods (whether as goods or in some other form) in pursuance of the works contract for value exceeding ₹ 20,000 shall, at the time of credit of such sum to the account of the contractor or at the time of payment thereof in cash or by any other mode, whichever is earlier, deduct tax thereon at the rate of two *per cent*. Further, Rule 59(2) of the DVAT Rules, 2005 also provides that a person who has deducted the tax shall issue a certificate for deduction of tax in Form DVAT-43 in original in respect of the amount deducted, the rate at which it has been deducted and the details of deposit into the Government treasury.

Audit noticed during the test check of records of five wards⁸ of DTT between April 2011 and March 2012 that in nine cases relating to the assessment year 2009-10, the Assessing Authority failed to detect that the dealers claimed deduction on account of TDS without furnishing, in original, TDS certificates in the form DVAT-43. This resulted in incorrect claim of reduction of tax amounting to ₹ 2.56 crore. Besides, interest of ₹ 94.48 lakh was also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.16 Excess claim of input tax credit

Under Section 9 of the DVAT Act 2004, a registered dealer is entitled to a tax credit in respect of the turnover of purchases occurring during the tax period where purchase arises in the course of his activities as a dealer and the goods are to be used by him directly or indirectly for the purpose of making sales which are taxable under Section 3 of the Act or made in the course of interstate trade or export out of the territory of India. Incorrect claim of tax credit attract penalty equal to tax credit so claimed or ₹ 10,000 whichever is greater. The dealer shall also be liable to pay simple interest at the rate of 15 *per cent* per annum computed on a daily basis.

Audit noticed during the test check of the records of 10 wards⁹ of DTT between April 2011 and March 2012 that in 15 cases relating to the assessment year 2009-10 that the dealers claimed input tax credit of ₹ 17.31 crore as against allowable credit of ₹ 13.90 crore on the purchase of tradable goods locally for ₹ 795.94 crore. This resulted in excess claim of input tax credit of ₹ 3.40 crore with consequent short payment of tax by the like amount. Besides, interest of ₹ 1.27 crore and penalty of ₹ 3.40 crore were also leviable /recoverable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.17 Irregular deduction allowed on account of labour and services

As per Rule 3 of the DVAT Rules 2005, in case of turnover arising from the execution of the works contract, the amount representing the taxable turnover shall exclude the charges towards labour and services subject to the dealer maintaining proper records evidencing payment of these charges to the satisfaction of the Commissioner. If the

⁸Ward Nos. 84, 86, 89, 98 and 107

⁹ Ward Nos. 16,42, 54, 55, 60, 62, 74, 89, 96 and 97

amount of charges towards labour and services is not ascertainable from the accounts of the dealer, the same shall be deducted at the percentage prescribed.

Audit noticed during the test check of the records of ward 96 of DTT in December 2011 that in one case relating to the assessment year 2009-10, the dealer claimed deduction at higher than the prescribed rate from his gross turn over on account of labour and services charges without furnishing separate account which is mandatory for such deduction. The Department also did not scrutinise the return and disallow the deduction made by the dealer. Thus, excess deduction of ₹ 4.68 crore resulted in short payment of tax of ₹ 58.55 lakh. Besides, interest of ₹ 18.38 lakh was also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.18 Irregular adjustment of tax credit on account of purchase of second hand goods

As per Rule 9 of the DVAT Rules 2005, no input tax credit shall be claimed on second hand goods purchased by a registered dealer from a resident seller who is not registered under the Act, unless the registered dealer has in his possession adequate proof of the amount paid for such goods in the form of an invoice or receipt signed by such resident seller.

As per Section 15 (3) of the DVAT Act 2004, where the amount paid by the registered dealer for the goods exceeds ₹ 2,000, the tax credit shall be allowed in the tax period when the goods are sold by the registered dealer or the goods into which they have been incorporated are sold by the registered dealer. Section 86 (10) of the Act provides that incorrect claim of tax credit attracts penalty equal to tax credit so claimed or ₹ 10,000 whichever is greater. The dealer shall also be liable to pay simple interest at the rate of 15 *per cent* per annum computed on a daily basis.

Audit noticed during the test check of the records of ward 93 of DTT between April 2011 and March 2012 that in one case relating to the assessment year 2009-10, the dealer adjusted input tax credit amounting to ₹ 49.56 lakh on account of purchase of second hand goods without furnishing an invoice or receipt signed by resident seller. The assessing authority did not scrutinize the returns (DVAT-16) to ascertain the correctness of input tax credit claimed by the dealer in his returns. This resulted in excess claim of input tax credit of ₹ 49.56 lakh. Besides, interest of ₹ 19.59 lakh and penalty of ₹ 49.56 lakh were also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.19 Incorrect claim of exemption on 'F' forms containing multiple month transactions

Under Section 6-A of the CST Act read with Rule 12(5) of the CST (R&T) Rules, dealer may claim exemption of tax by filing a declaration in form 'F' covering transfer of goods effected during a period of one calendar month by a dealer to any other place

of his business or to his agent or principal outside the State as the case may be. Otherwise, the transactions are to be treated as inter-state sales and taxed accordingly.

Audit noticed during the test check of the records of ward 22 of DTT in August 2011 that in one case relating to the assessment year 2007-08 (default assessed case), the dealer claimed exemption of tax on account of branch transfer/consignment sale of ₹ 2.42 crore on the basis of 'F' forms which covered transactions beyond one calendar month and was thus, liable to be treated as inter-state sales not supported by valid declarations. This resulted in short realisation of tax of ₹ 30.22 lakh. Besides, interest of ₹ 16.50 lakh was also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.20 Non reversal of input tax credit in respect of goods transferred on F forms

Under Section 10(3) of the DVAT Act, 2004, a dealer is required to reduce the amount of tax credit originally claimed, by the prescribed proportion where-

- (a) goods were purchased by a dealer locally and
- (b) the dealer claimed a tax credit in respect of goods, and did not reduce the tax credit by the prescribed percentage; and
- (c) the goods were transferred from Delhi, other than by way of a sale, to a branch of the registered dealer or to a consignment agent.

Otherwise, excess claim of tax credit attracts penalty at the rate of one *per cent* of the tax deficiency per week or ₹ 100 per week whichever is higher for the period of default and simple interest computed thereon on daily basis @ 15*per cent* per annum.

Audit noticed during the test check of the records of ward no.104 of the DTT in September 2011 that in one case relating to the assessment year 2009-10, the dealer made branch transfer of ₹ 9.17 crore out of the goods purchased locally, amounting to ₹ 5.24 crore but did not reduce the input tax credit proportionate to the goods so transferred. The dealer had claimed input tax credit amounting to ₹ 30.97 lakh on purchase during the year. This resulted in excess claim of input tax credit of ₹ 30.97 lakh. Besides, interest of ₹ 9.72 lakh and penalty of ₹ 33.76 lakh were also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.21 Incorrect claim of concessional rate of tax on defective Statutory (C) forms

Under the provisions of the CST Act 1956 and Rules made there under, a dealer may claim exemption/concessional rate of tax for the goods transacted under the interstate trade. For claiming, the dealer is required to furnish the prescribed statutory forms (in original portion), like F, C, E-I, E-II, H and I. Transactions not supported by proper and valid statutory forms are not eligible for exemption/concessional rate of tax, the dealers are liable to pay tax alongwith interest at applicable rates as laid in the Act.

Audit noticed during the test check of the records of three wards¹⁰ of DTT between April 2011 and March 2012 that in four cases relating to the assessment year 2009-10, the dealers had claimed concessional rate of tax on interstate sale of ₹ 6.23 crore. Such claims were not supported by valid statutory forms. The assessing authority did not scrutinize the statutory forms submitted by the dealers and ascertain the correctness of claim of concessional rate of tax on interstate sale made by the dealers in their returns. This resulted in short realisation of tax of ₹ 21.30 lakh. Besides, interest of ₹ 4.53 lakh was also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.22 Irregular claim of exemption on stock transfer

Under Section 86(10) of the DVAT Act 2004, a person who furnishes a return under the Act, which is false, misleading, or deceptive in a material particular or omits from it any matter or thing without which the return is false, misleading in a material particular, shall be liable to pay, by way of penalty, a sum of ₹ 10,000 or the amount of tax deficiency, whichever is greater. In addition, interest on tax at the rate of 15 per cent per annum computed on daily basis is also leviable.

Audit noticed during the test check of the records of ward No.75 of DTT between April 2011 and March 2012 relating to the assessment year 2009-10 that the dealer had shown nil amount of transaction against stock transfer in DVAT-51 whereas as per DVAT-16 (return) the same was shown as ₹ 1.90 crore. This resulted in excess claim of stock transfer of ₹ 1.90 crore with consequent short payment of tax of ₹ 7.60 lakh. Besides, interest of ₹ 2.38 lakh and penalty of ₹ 7.60 lakh were also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.23 Irregular claim of refund through revised return

Section 28 of the DVAT Act, 2004 and Rule 29 made there under stipulate that, if, within four years of the making of an assessment, any person discovers a mistake or error in any of the returns filed by him under this Act and he has as a result of the mistake or error paid more tax than was due under this Act, he may lodge an objection against the assessment in the manner and subject to the conditions stipulated under Section 74 of the Act.

Audit noticed during the test check of the records of four wards¹¹ of DTT between April 2011 and March 2012 that in five cases relating to the assessment year 2009-10, the dealers revised the returns subsequently and increased the refund amount or reduced tax demand without lodging an objection against the assessment in accordance with the section 74 of the Act, which was irregular. The assessing authority did not scrutinize the returns of the dealers to disallow such reductions of tax demand or increased refunds claimed by the dealers in the revised returns. This resulted in incorrect allowance of claims of refund amounting to ₹ 16.01 lakh with consequent

¹⁰ Ward Nos. 15, 33 and 53

¹¹ Ward Nos. 74, 96, 97 and 98

short payment of tax to that extent. Besides, interest of ₹ 6.81 lakh and penalty of ₹ 16.01 lakh were also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

2.24 Short payment of tax

Under the DVAT Act, a person is entitled to rectify a mistake or error, within four years of submission of returns to the Department under the Act by revising the return voluntarily and paying tax, interest and reduced penalty thereon. Otherwise, short payment of tax attracts penalty at the rate of one *per cent* of the tax deficiency per week or ₹ 100 per week for the period of default, whichever is higher and interest computed thereon on daily basis @ 15 *per cent* per annum.

Audit noticed during the test check of the records of ward-92 of DTT between April 2011 and March 2012 that in one case relating to the assessment year 2009-10, the dealer incorrectly computed his tax liability aggregating to ₹ 4.75 lakh as against correct amount of ₹ 10.87 lakh. The Assessing Authority did not scrutinise the returns to ascertain the correctness of the payment of tax. This resulted in short payment of tax of ₹ 6.12 lakh. Besides, interest of ₹ 1.92 lakh and penalty of ₹ 6.67 lakh were also leviable.

Audit reported the matter to the Department and the Government in August 2012, but has not received any reply.

CHAPTER-3

STATE EXCISE, ENTERTAINMENT, BETTING AND LUXURY TAX

3.1 Tax administration

The Department is headed by the Commissioner (Excise, Entertainment, Betting and Luxury Tax) who functions under the administrative control of Principal Secretary (Finance), Government of NCT of Delhi. The Department is responsible for levy and collection of State Excise Duties, Entertainment, Betting and Luxury Taxes from cinema halls, cable service providers, betting activities and hoteliers.

3.2 Trend of receipts

Actual receipts from taxes on Excise, Entertainment, Betting and Luxury during the period 2007-08 to 2011-12 along with the total tax receipts during the same period are exhibited in the **Table 3.1** and **Graph**:

Table 3.1: Details of total tax receipts

(₹ in crore)

Head of the revenue	Year	Budget estimates (BEs)	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
State Excise, Entertainment, Betting and Luxury Tax	2007-08	1580.03	1733.68	(+) 153.65	(+) 9.72	11782.80	14.71
	2008-09	1917.30	1821.46	(-) 95.84	(-) 5.00	12180.70	14.95
	2009-10	2006.00	1929.20	(-) 76.80	(-) 3.83	13447.86	14.35
	2010-11	2022.50	2345.29	(+) 322.79	(+) 15.96	16477.75	14.23
	2011-12	2746.00	2931.25	(+) 185.25	(+) 6.74	19971.67	14.68

It is seen that the variation between BEs and the Actual Receipts was as low as (-) ₹ 95.84 crore during 2008-09 and as high as ₹ 322.79 crore during 2010-11.

3.3 Cost of collection

The gross collection, expenditure on collection and the percentage of such expenditure to gross collection in respect of state excise, entertainment, betting and luxury tax, during the years 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross

collection for the year 2010-11 are given in **Table 3.2:**

Table 3.2: Details of cost of collection

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of state excise for the year 2010-11
State Excise, Entertainment, Betting and Luxury Tax	2009-10	1929.20	9.24	0.48	3.05
	2010-11	2345.29	10.07	0.43	
	2011-12	2931.25	11.55	0.39	

From the table it was evident that the percentage of expenditure on collection of state excise, entertainment, betting and luxury tax was less than the all India average percentage.

3.4 Internal audit

The Department had no Internal Audit Mechanism of their own. The Director of Audit of the Finance Department of Govt. of NCT of Delhi is entrusted with Internal Audit function for all the Offices/Departments of Govt. of NCT of Delhi including State Excise, Entertainment, Betting and Luxury Tax Department.

3.5 Results of audit

Test check of records relating to Department of State Excise, Entertainment, Betting and Luxury Tax, Government of NCT of Delhi conducted during the year 2011-12 revealed loss of revenue, short levy of tax and other irregularities involving ₹28.78 crore in 26 cases which falls under the following category mentioned in **Table 3.3:**

Table 3.3: Category wise irregularities

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
State Excise, Entertainment, Betting and Luxury Tax			
1.	Mechanism of assessment, levy and collection of tax on Entertainment, Betting and Luxury	1	24.66
2.	Others	25	4.12
Total		26	28.78

The case involving ₹ 24.66 crore is discussed in the following paragraphs.

3.6 Performance Audit on mechanism of assessment, levy and collection of tax on entertainment, betting and luxury

Highlights

- Failure of the Department to maintain the complete record of the returns and challans submitted by the assesseees in support of payment of tax resulted in non verification of correctness of the tax paid by assesseees.

(Paragraph 3.6.8)

- Failure of the Department to collect tax and interest on belated payment of tax from cable operators amounting to ₹ 100 lakh besides interest of ₹11.00 lakh on late payment of tax.

(Paragraph 3.6.9.1)

- Failure of the Department to recover the interest worth ₹ 4.89 crore from DTH service providers on delayed deposit of tax.

(Paragraph 3.6.9.2)

- Failure of the Department to pursue the arrears of entertainment tax of ₹ 1.26 crore from 12 cinema hall owners and luxury tax amounting to ₹ 9.76 crore from the hoteliers.

(Paragraphs 3.6.9.3 & 3.6.9.7)

- 64 appeals were filed against the assessments made by Luxury Tax Officers involving ₹ 4.64 crore between 2007-08 and 2011-12 but appellate authority could decide only three cases. Moreover, the luxury tax is yet to be deposited by the hoteliers.

(Paragraph 3.6.9.8)

- Short levy of luxury tax of ₹ 5.99 crore in six hotels due to non inclusion of hire charges/rent for banquet/conference halls received by the hoteliers as receipt of the hotels for the purpose of levy of luxury tax.

(Paragraph 3.6.9.9)

- No internal audit had been conducted during the period 2008-09 to 2011-12 due to which effective and efficient functioning of the Department could not be ensured.

(Paragraph 3.6.10)

3.6.1 Introduction

The Delhi Entertainment & Betting Tax (DEBT) Act, 1996, provides for the levy of entertainment, totalisator and betting tax in the NCT of Delhi. Entertainment tax is leviable on admission to cinema shows, entertainment programme i.e. exhibition, performance, amusement, cinematograph exhibition etc. and for cable and direct-to-home (DTH) services. Totalisator and betting tax are levied on bets and stakes placed within the NCT of Delhi on horse races.

The Act, read with the rules made thereunder provides for submission of prescribed forms and for imposition of interest and penalties for non-compliance with provisions. It also provides for recovery of tax as arrears of land revenue.

The Delhi Tax on Luxuries (DTL) Act, 1996, and Rules made thereunder provides for levy of luxury tax on the turnover of receipts of an hotelier at a rate not exceeding 15 *per cent* to be notified by the Government from time to time. Where the charges are levied otherwise than on daily basis or per room, then the charges for determining the tax liability shall be computed proportionately for a day and per room based on the total period of occupation of the accommodation for which the charges are made. Luxury tax is not leviable in respect of turnover of receipts for supply of food and drinks on the sale of which the hotelier is liable to pay Value Added Tax (VAT). The Act, read with the rules also provides a time frame for payment of the tax dues and for imposition of fines for contravention of the rules.

3.6.2 Organisational set-up

The administration of both the DEBT Act and the DTL Act is entrusted to the Department of Entertainment, Betting and Luxury Tax (the Department) under the administrative control of Principal Secretary (Finance), Government of NCT of Delhi (GNCTD).

The Department is headed by the Commissioner of Entertainment, Betting and Luxury Tax who is assisted by one Deputy Commissioner (Taxes). There are three Luxury Tax Officers, one Entertainment Tax Officer, one Additional Entertainment Tax Officer and one Assistant Entertainment Tax Officer responsible for assessment, levy and collection of tax and supervising the work of Inspectors working under their administrative control. The work is distributed in nine districts amongst the above officers.

3.6.2.1 Trend of revenue

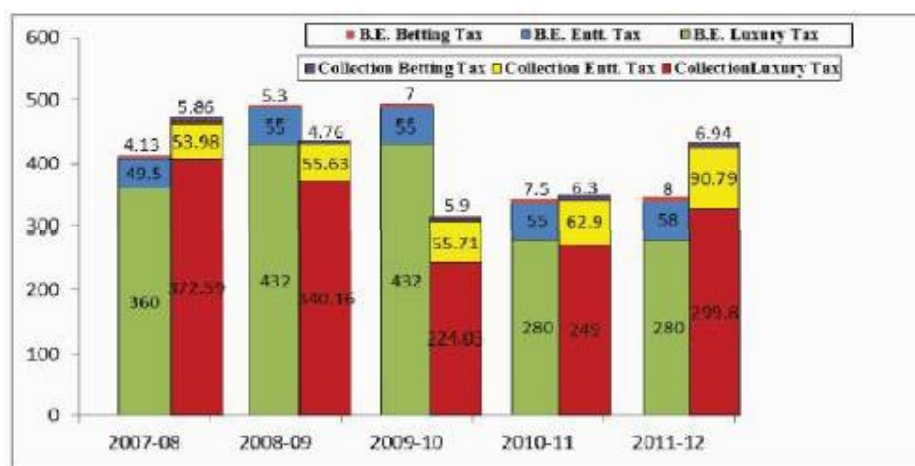
The position of budget estimates (BE) and actual collection of revenue during

the last five years is given in **Table 3.4:**

Table 3.4: Budget estimates and actual collection of revenue

(₹ in crore)

Year	Entertainment Tax		Betting Tax		Luxury Tax	
	B.E.	Collection	B.E.	Collection	B.E.	Collection
2007-08	49.50	53.98	4.13	5.86	360.00	372.59
2008-09	55.00	55.63	5.30	4.76	432.00	340.16
2009-10	55.00	55.71	7.00	5.90	432.00	224.03
2010-11	55.00	62.90	7.50	6.30	280.00	249.00
2011-12	58.00	90.79	8.00	6.94	280.00	299.80



The budget estimates during the aforesaid years were either inflated or under pitched as is evident from the fact that variations between BEs and actuals ranged from 7 to 57 per cent either side.

During exit conference, the Commissioner stated that the actual receipts on account of luxury tax are of unforeseen nature since these depend on global circumstances. In respect of Entertainment Tax, Government stated (February 2013) that the variations were due to inclusion of DTH services under the ambit of the DEBT Act. However, Department has yet to lay down any method to work out the realistic budget estimates.

3.6.3 Scope of audit

The scope of Audit was discussed in detail with the Deputy Commissioner (Taxes) during an entry conference held in June 2012. The Performance Audit was conducted during the period from June 2012 to September 2012 in the office of the Commissioner of Entertainment, Betting and Luxury Tax and covered the transactions for the period 2007-08 to 2011-12. In case of cable service providers and cinema halls the period was covered only from 2009-10

to 2011-12 due to non-availability of returns and tax challans in the respective files of assesses. On the basis of high, medium and low tax collection, three districts in respect of cable tax (South, West and North), cinema tax (South, New Delhi and North) and luxury tax (New Delhi, South-West and North-West) were selected. The audit exercise covered the entire gamut of activities of the Department relating to assessment, levy and collection of tax from cinema halls, cable service providers, entertainment programme organisers, hoteliers and from betting activities.

3.6.4 Audit methodology

Since the maintenance of records was very poor as in almost all the cases, returns and tax challans were not found placed in the respective files but dumped in sacks (as depicted in the photograph) making it impossible to select specific units for detailed scrutiny, the Audit team was forced to select units from the selected districts on random sampling basis from the information available on the electronic system of the Department. On the basis of information available on the system, 12 out of 34 cinema halls, 304 out of 688 cable service providers, 60 out of 177 hotel establishments and 16 out of 32 book makers were selected for detailed scrutiny. The Audit methodology included scrutiny of the returns submitted by the selected hoteliers, the information in respect of the selected assesses (cable, book maker and cinema) available on the system and check of the amount deposited by them into the Government Account. In addition, records relating to 31 tax exempted programmes and files relating to 20 tax paid programmes were also scrutinised.



Tax challans and returns in sacks



Audit party taking out challans and returns from sacks

3.6.5 Audit objectives

A performance audit was conducted to evaluate the efficiency and effectiveness of the tax collection machinery and to assess whether all the tax dues were being remitted to the public exchequer. The performance audit also covered an assessment of the efficacy of the internal control systems operating in the Department. The primary objectives of the audit appraisal were to ascertain whether:-

- the assessment, levy and collection of luxury, entertainment and betting taxes are being carried out in accordance with the provisions of the DTL Act, and DEBT Act, and Rules made thereunder.
- exemptions of tax have been correctly allowed under the provisions of applicable Act.
- system for effective and timely pursuance of arrears of demands has been laid down and adequate steps have been taken for realisation of arrears.
- adequate system and procedure of internal controls existed with the Department, so as to prevent leakage of revenue.
- there were any lacunae in the Act and Rules or in the implementation thereof resulting in leakage of revenue.
- corrective measures were taken to implement the recommendations made in the last performance audit of the Department covering the period 2000-01 to 2004-05 in case of entertainment and betting tax and up to March 2006 in case of luxury tax.

3.6.6 Audit criteria

The audit criteria were derived from the following sources:

- The Delhi Entertainments and Betting Tax Act, 1996 and Rules made thereunder.
- Delhi Tax on Luxuries Act, 1996 and Rules made thereunder.
- Provisions of the General Financial Rules.

3.6.7 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Department of the Entertainment, Betting and Luxury Tax, GNCT of Delhi extended to audit in completion of the audit. The draft performance audit was forwarded to the Government in November 2012. The exit conference was held on 29 January 2013 in which the results of audit and recommendations were discussed with the Commissioner, Entertainment, Betting and Luxury Tax and the Deputy Secretary (Finance), GNCTD. The replies of the Government have been appropriately incorporated in the respective paragraphs.

Audit findings

3.6.8 Non-maintenance of basic records

Rules 14, 26, 26A and 50 of the DEBT Rules envisage the submission of returns in support of payment of entertainment tax, cable tax, DTH services and betting tax. Similarly, Rule 16 of DTL Rules provides for the submission of return by the hoteliers. In case the tax is not paid according to return, the concerned Luxury Tax Officer may, by notice, require him to pay the amount

due from him according to the return but remaining unpaid, by a date specified in the notice issued under Rule 18 of the DTL Rules. Section 15 of the DEBT Act lays down where the assessing authority is satisfied that the proprietor of an entertainment has failed to submit true and full returns or has fraudulently evaded tax, it should assess the amount of tax due after giving reasonable opportunity of being heard to the concerned proprietor.

To ensure the compliance of provisions of the Act and Rules, proper handling and scrutiny of returns and challans submitted in support of payment of tax is essential. During Audit, returns and challans were found dumped in large bags instead of proper filing in relevant files. It is indicative of the fact that these returns were not scrutinised to ensure the correctness of tax due and paid while tax paid by the assessee was simply treated as tax due. Non-maintenance of records indicates lack of internal control in the Department.

The Government stated (February 2013) that in view of work load and shortage of staff, records could not be maintained. However, the Department had issued instructions to the staff concerned to keep returns and challans upto date in concerned files.

3.6.9 Assessment, levy and collection of tax

An appraisal of the assessment, levy and collection of entertainment tax revealed inadequate action by the Department to assess and recover the tax due as well as its failure to enforce the provisions of rules for submission of returns by the assessees. This resulted in non-recovery of tax revenue as well as delay in tax collection as outlined in the succeeding paragraphs:

3.6.9.1 Non collection of tax and interest on belated tax payments from cable operators

Section 40 of the DEBT Act, 1996 provides that if any proprietor fails to pay tax due as required under the provisions of the Act or the rules made thereunder, he shall in addition to the tax due, be liable to pay simple interest on the amount so due at one and half *percent* per month from the date immediately following the last date for payment of tax for a period of one month and at the rate of two *percent* per month thereafter so long as he continues to default in making such payment.

An Audit appraisal of 304 cable operators out of 688 registered in three districts namely West, North and South, selected for audit scrutiny revealed that 123 operators (39 *percent*) had not paid the tax during last three years and 175 operators failed to pay tax amounting to ₹ 100.00 lakh besides interest of ₹ 11.00 lakh on belated payments of tax.

These 175 cable operators defaulted on 2335 occasions in making timely payment of tax during three years covered under audit, whereas tax for 2127 months was not paid at all.

The Government stated (February 2013) that efforts are being made to recover the tax and interest from the cable operators who had not paid the tax during last three years.

3.6.9.2 Non-recovery of interest on delayed payments from DTH Service providers

Rule 26A of the DEBT Rules stipulates that the proprietors of the DTH services should deposit the tax into Government Account within seven days from the end of the month for which the tax is due.

Audit appraisal of all the six DTH Service providers revealed that they deposited the tax into Government Account with delay but without payment of interest worked out to ₹ 4.89 crore under the provisions of Section 40 of the DEBT Act.

The Government vide its reply intimated (February 2013) that assessment notices have been issued to DTH service providers for payment of interest.

3.6.9.3 Non-recovery of ₹ 1.26 crore from the Cinema Halls

The proprietors of the cinema halls/theaters are required to submit the returns in Form 7 and deposit entertainment tax within four days from the last day of each week ending with Thursday as per stipulations of Rule 16 and 25 of the DEBT Rules, 1997. On going through the records of cinema halls it was found that 12 cinema hall owners did not deposit the entertainment tax of ₹ 1.26 crore for 198 weeks for the period covered under audit. The Department did not pursue the matter to recover the tax from the proprietors concerned.

The Government informed (February 2013) that out of 12 cinema halls, two cinema halls had cleared their due tax for the period under audit and notices were issued to remaining 10 defaulter cinema hall owners for depositing the entertainment tax due.

3.6.9.4 Non-adherence to prescribed conditions by the organisers of tax exempted events

Section 14(1) of the DEBT Act, 1996 stipulates that the Government may, for the promotion of arts, culture or sports by general or special order, exempt any individual entertainment programme or class of entertainment from liability to pay tax under the Act and Section 14(4) of the Act stipulates where the Government is satisfied that the entertainment programme is not conducted for profit and the entire gross proceeds from payment for admission of an entertainment are to be devoted to philanthropic, religious or charitable purposes, without any deductions, whatsoever on account of the expenses of the entertainment it may grant exemption to such entertainment from payment of tax on such terms and conditions which it may deemed fit to impose.

Further, as per terms and conditions of exemptions, and to ensure the adherence to the provisions of the Act, the organisers of the programmes are required to submit the documentary evidence within 30 days from the date of the event showing that the entire proceeds have been utilised for the purpose for which exemption has been granted failing which the Department had to

recover the entertainment tax as if the exemption had not been granted, besides forfeiture of security furnished by the organisers in terms of undertaking given in the application for exemption.

An Audit appraisal of 31 tax exempted programmes/events revealed that in 29 programmes involving tax exemption of ₹ 78.41 lakh, 14 organisers did not submit and 15 submitted with delay ranging from 2 to 24 months, the documentary evidence in support of the utilisation of proceeds from the programmes/events. The Department also failed to enforce the provisions of the Act and thereby suffered a loss of ₹ 78.41 lakh on account of entertainment tax. Moreover, it refunded the security deposit amounting to ₹ 4.67 lakh to nine programme organisers. Security deposit is yet to be forfeited for the remaining 20 programmes.

The Government stated (February 2013) that the applicants could not utilise funds for the purpose declared in the application within the specified period of 30 days and the Department had condoned the delay in this regard. The contention of the Government is not tenable since nothing in this regard was available on record and there is no provision in the Act and Rules to condone the delays.

3.6.9.5 Delayed deposit of demand drafts of tax paid programmes

Audit scrutiny of records relating to 20 tax paid programmes, made available to audit for the years 2010-11 and 2011-12 revealed that in 16 cases, the demand drafts amounting to ₹ 32.40 lakh deposited by the organisers of the programmes as security money in lieu of entertainment tax was paid into Government account with delays as pointed out in the succeeding paragraph.

As per terms and conditions of sanction letter issued to the organisers of the programmes, the accounts of the show shall be produced to the Department for verification. The entertainment tax due shall be deposited within 15 days from the date of the programme, failing which the amount of security shall be forfeited. But no such accounts were submitted within the prescribed period. Consequently, the demand drafts received in the shape of security deposit were treated as tax amount but paid into Government Account with abnormal delay as drafts of ₹ 32.40 lakh in 16 cases were deposited with delays ranging from 31 to 206 days.

The Government stated (February 2013) that demand drafts would be deposited into the Government account in time.

3.6.9.6 Non-adherence to penalty provisions in collecting Betting Tax

Section 33 of the DEBT Act, 1996 stipulates that any book maker who contravenes the provisions of the Act or Rules or fails to comply with any order or direction issued in accordance with the provisions of the Act or the Rules shall be punishable with a fine not exceeding two thousand rupees. Further, Section 40 of the DEBT Act provides for interest on delayed payment at the rate 1.5 *per cent* per month from the date immediately following the last date for payment of tax for a period of one month and at the rate 2 *per cent* per month thereafter so long as he continues to make default in such payment.

An Audit appraisal of the records of 16 book makers selected for audit scrutiny for the period 2007-08 to 2011-12 revealed that they did not submit the return as envisaged under Rule 50 of the DEBT Rules 1997. The Department had failed not only to levy the penalty worth ₹ 83.20 lakh for period under review but also to ensure the correctness of the amount of tax. Audit worked out the nonpayment of interest of ₹ 1.28 lakh on delayed deposit of tax by 14 book makers for the years 2009-10 and 2011-12. Records for the remaining years were not made available to audit.

The Government while replying to the audit observation intimated (February 2013) that since the Department had not passed any order regarding penalty, therefore the observation of audit that the Department failed to levy the penalty worth ₹ 83.20 lakh seems to be factually incorrect. Reply of the Government is not tenable since it is the duty of the concerned officers/officials to levy the penalty on the defaulters as laid down under the DEBT Act. In so far as interest amount for late payments by book makers is concerned, Department informed that notices have been issued to concerned book makers.

3.6.9.7 Outstanding demand against the hoteliers

Under Section 18(4) of the DTL Act, a hotelier is required to deposit the demand/additional demand within prescribed period not earlier than 30 days from the date of service of the notice. Further, Section 18(5) of the DTL Act provides for the recovery of demand/additional demand as arrears of land revenue.

An Audit appraisal of Demand and Collection Register (DCR) for the period 2007-08 to 2011-12 revealed that additional demand raised as a result of assessment in 664 cases for an amount of ₹ 9.76 crore is yet to be deposited by the assesseees, though the prescribed period of 30 days for depositing the demand had lapsed long back. Out of these, 226 cases (34 percent) were assessed and additional demand was raised more than three years back. But due to non-pursuance of the demand with the hoteliers, an amount of ₹ 9.76 crore remained unrealised even after more than three years.

The Government intimated (February 2013) that an amount of ₹ 0.86 crore had been realized and ₹ 5.20 crore was under appeal.

3.6.9.8 Non finalization of appeal cases

Section 36(1) of the DTL Act, 1996 provides that any hotelier may file an appeal to the Appellate Authority against the original assessment order passed.

Audit appraisal of the records relating to appeal cases revealed that during the period 2007-08 and 2011-12, 64 appeal cases involving luxury tax of ₹ 4.64 crore were filed. However, Appellate Authority could decide only three cases involving ₹ 11.19 lakh. Even in these cases, the luxury tax is yet to be

deposited by the hoteliers into the Government Account. Further, out of remaining 61 cases, 18 cases were 'remand back' to the Assessing Authority and 43 cases were still pending with the Appellate Authority. No reasons were available on records as to why these appeal cases were pending for a period ranging upto five years. The year wise detail of pending appeal cases is given in the **Table 3.5**:

Table 3.5: year wise detail of pending appeal cases

Year	Pending cases
2007-08	11
2008-09	25
2009-10	04
2010-11	03

Pending appeal cases are shown in **Annexure 3.6.9**.

The Government assured (February 2013) for speedy disposal of appeal cases.

3.6.9.9 Non levy of luxury tax on banquet halls

The DTL Act stipulates that luxury tax should be levied on the turnover of receipts of a hotelier at the notified rate not exceeding 15 *per cent*. Where the charges are levied otherwise than on daily basis, then charges for determining the tax liability shall be computed proportionately for a day and per room, based on the total period of occupation of accommodation.

Audit appraisal of records of hotels revealed that rent/hire charges for banquet/conference halls received by the hotels were not included in the receipts of the hotels for the purpose of levy of luxury tax. This resulted in short collection of tax of ₹5.99 crore in six hotels.

While replying to the points raised by Audit during the previous performance audit, the Government had stated (August 2006) that luxury tax was leviable on rooms provided in a hotel for residential purposes. Banquet/conference halls are not rented out for residential purposes and therefore, their rent/hire charges received by the hotels were not "luxury provided in the hotel" for the purpose of luxury tax and as such luxury tax was not leviable on them. The Government stated (February 2013) that a notification has been issued on 22 June 2012 to cover the Banquet receipts under the ambit of luxury tax, which substantiates the audit view expressed during the earlier performance audit.

3.6.9.10 Non-conducting of inspection of Book Makers

Section 26 of the DEBT Act, 1996, stipulates that the officers empowered or authorised for assessment, levy and collection of taxes have the power to make inspections to ensure compliance of the provisions of the Act and the Rules in respect of book makers, betting and the totalisator. However, it was noticed that no such inspections were carried out either by the Commissioner or any other officer authorised on his behalf.

In compliance to audit observation, the Government stated (February 2013) that Department had carried out inspection (September 2012) of book makers and licenses of four book makers had been suspended as a result of inspection.

3.6.9.11 Non-conducting of surveys to ascertain the number of cable subscribers

It is incumbent upon any revenue earning department to take steps to ascertain, to the extent possible, the actual number of assesseees and ensure that the tax due under the provisions of the Act is levied and collected. Since the tax collected from the cable operators were not commensurate with the population and socio-economic profile of Delhi, it was essential on the part of the Department to have a sample survey conducted, if not for the entire NCT, at least in selected areas to ascertain the correctness of the declaration made by the cable operators about the number of subscribers. However, the Department took no steps to ensure that the tax due were actually being paid by the cable operators.

The Government stated (February 2013) that due to shortage of staff and large geographical boundary of Delhi, survey of cable subscribers could not be conducted. The Government further stated that plugging loop holes in collection of tax will be easy after the appointment of Multi System Operators (MSO) which are limited in numbers.

3.6.9.12 Security for lesser amount from cable operators

As per prevailing practice in the Department, security amount equal to one month's tax in consonance with Section 13 of the DEBT Act is to be deposited by the cable operators. An Audit appraisal of 193 cable operators selected in three districts i.e. South, North and West districts of Delhi revealed that 79 operators (41 per cent) did not deposit the required security amount of ₹ 2.72 lakh. The files of 30 operators (16 per cent) were not made available to audit.

The Government while accepting the audit observation intimated (February 2013) that notices had been issued to cable operators and necessary instructions had also been issued to field officers for collection of balance security amount.

3.6.10 Internal audit

Internal Audit is intended to assure an organisation that the internal control system instituted by it for its efficient and cost effective functioning is adequate and effective. However, no internal audit was conducted in the Department during the last four years, though it was recommended to conduct internal audit at least on annual basis in the earlier Performance Audit.

The Government stated (February 2013) that Internal Audit has been taken up by and the same is in progress. The fact was confirmed by the Deputy Commissioner (Taxes) during exit conference.

3.6.11 Departmental manual

A departmental manual is essential for regulating and streamlining its functions and activities, but no departmental manual was prepared by the Department though the Act came into force in 1996. In the absence of manual, effective internal control cannot be enforced and evaluated.

3.6.12 Inaction on the recommendations made in earlier Report of the Performance Audit

A Performance Audit of the subject covering the period 2000-01 to 2004-05 appeared in the Audit Report (Revenue Receipts) for the year ending March 2007 wherein maintenance of records and quality of documentation was recommended to be improved alongwith the introduction of procedures to cross check the validity and correctness of the returns submitted by the assesseees and effective pursuance of the arrears of tax in accordance with the provisions of the Acts. But Audit found that no effective steps were initiated by the Department to comply with the earlier audit recommendations.

The Government stated (February 2013) that it has recently signed an Memorandum of Understanding (MOU) with the Tata Consultancy Services Limited (TCS) for computerisation of entire services of the Department for proper monitoring of collection of tax.

3.6.13 Conclusions

Non-maintenance of complete record by the Department had proved a futile exercise particularly in respect of collection of Entertainment and Betting Tax since the Department has no option but to accept the amount of tax deposited by the assesseees as correct tax. Further, failure of the Department to enforce the provisions of the relevant Acts and Rules resulted in non-recovery of tax due from the assesseees. The organizers of tax exempted programmes were refunded the security amount without getting the required documents, though the Department was required to cancel the tax exemption and recover the tax due as if exemption from tax was not granted. Non-pursuance of demand had resulted in huge outstanding amount of tax against the hoteliers.

3.6.14 Recommendations

- ❖ *There is an imperative need to maintain the complete record of the returns and challans and to strengthen the monitoring mechanism to ensure adherence to statutory provisions.*
- ❖ *Timely action is required to be initiated to pursue the arrears of tax in accordance with the provisions of Acts and Rules.*
- ❖ *Specific time frame is required to be laid down for the disposal of the appeal cases so that amount due to the Government may be recovered at the earliest*
- ❖ *For the effective and efficient functioning of the Department, internal audit may be conducted on regular basis.*
- ❖ *Departmental manual may be prepared.*

CHAPTER-4

STAMP DUTY AND REGISTRATION FEE

4.1 Tax administration

The Secretary (Revenue) is responsible for administration of the Indian Stamp Act and the Indian Registration Act and rules framed thereunder. He is also the District Magistrate of Delhi and Inspector General of Registration. One Deputy Commissioner and one Additional District Magistrate assist him. There are nine zones each headed by a Deputy Commissioner. Each zone is further sub-divided into three sub-zones each headed by a Sub-Divisional Magistrate who also enjoys the power of Collector of Stamps. Each of the zones has an office of the Sub-Registrar who functions under the direct control of the Deputy Commissioner of the respective zone. There is one treasury for the National Capital Territory of Delhi, which is responsible for procurement and issue of both judicial as well as non-judicial stamps/stamp papers. The procurement is made from Indian Security Press, Nasik, by submitting indents through the Divisional Commissioner. The Government of NCT of Delhi has introduced *e-stamping* with effect from 1 April 2008. The work has been awarded to M/s Stock Holding Corporation of India Limited, a public sector undertaking, on commission basis. Two more Sub-Registrar Offices have been established during the year 2012-13 (till 20 October 2012).

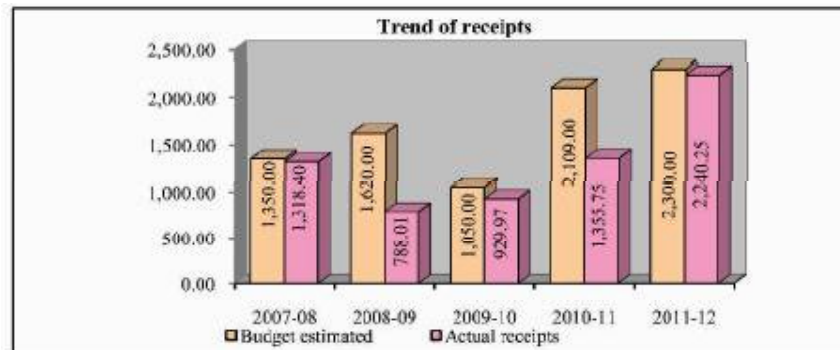
4.2 Trend of receipts

Actual receipts from Stamp Duty and Registration Fee during the last years 2007-08 to 2011-12 along with the total tax receipts of the State during the same period are exhibited in the **Table 4.1** and **Graph**:

Table 4.1: Revenue receipts

(₹ in crore)

Year	Budget estimates (B.Es)	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
2007-08	1350.00	1318.40	(-)031.60	(-)02.34	11782.80	11.19
2008-09	1620.00	0788.01	(-)831.99	(-)51.36	12180.70	06.47
2009-10	1050.00	0929.97	(-)120.03	(-)11.43	13447.86	06.92
2010-11	2109.00	1355.75	(-)753.25	(-)35.72	16477.75	08.23
2011-12	2300.00	2240.25	(-)059.75	(-)02.60	19971.67	11.22



It is seen that the variation between BEs and actual receipts was in shortfall ranging from 2.34 to 51.36 per cent.

4.3 Cost of collection

The gross collection, expenditure on collection and the percentage of such expenditure to gross collection in respect of Stamp Duty and Registration Fee receipts during the year 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection for the year is appended in **Table 4.2** :

Table 4.2: Cost of collection

(₹ in crore)					
Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2009-10
Stamp duty and registration fee	2009-10	929.97	19.52	2.09	1.60
	2010-11	1355.75	19.30	1.42	
	2011-12	2240.25	31.60	1.41	

From the given table, it was evident that the percentage of expenditure on collection of Stamp Duty and Registration Fee was less than the all India average percentage for the year 2010-11 and 2011-12.

4.4 Internal audit

The Internal Audit Wing of the Finance Department of Government of National Capital Territory of Delhi conducts the internal audit of the Revenue Department. The internal audit wing is required to conduct audit of the office of the Inspector General of Registration, Treasury and 13 Sub-Registrar Offices. The Internal Audit of the Department and Sub-Registrar offices has not been conducted by the Directorate of Audit, Government of NCT of Delhi for the year 2011-12.

4.5 Results of audit

Test check of records relating to stamp duty and registration fee conducted during the year 2012-13 revealed short/non levy of duty and other

irregularities involving ₹ 121.04 lakh in 117 cases which fall under the categories given in **Table 4.3**.

Table 4.3: Category wise cases

(₹in lakh)			
Sl No.	Categories	No. of cases	Amount
1.	Short levy of Stamp duty and Registration fee (Built up area of car parking/Stilt parking)	78	12.76
2.	Non implementation of the prescribed rates for buildings having more than four storeys	39	108.28
Total		117	121.04

These cases are discussed in the succeeding paragraphs.

4.6 Other audit observations

Scrutiny of records of Sub-Registrar offices, Government of NCT of Delhi relating to revenue receipt revealed several cases of non-observance of provisions of Acts/Rules resulting in short levy of stamp duty as discussed in the succeeding paragraphs in this chapter. These cases are illustrative and based on a test check carried out in audit. Therefore, there is a need for the Government to improve the internal control system so that occurrence of such cases can be avoided.

4.7 Short levy of stamp duty and registration fee

The minimum rates for valuation of properties situated in various localities of NCT of Delhi were prescribed by Revenue Department of Government of NCT of Delhi, vide Notification No.F 2(12)/Fin(E-1) Part File/Vol-1 (ii) /3548 dated 18 July 2007. The whole area of NCT of Delhi has been divided into different categories from A to H, as given in Annexure I of the Delhi Stamp (Prevention of Under-valuation of Instruments) Rules, 2002. At the time of registration of a property falling in the NCT of Delhi, stamp duty is to be charged as per these rates, as revised from time to time.

Audit noticed (June to August 2012) during the test check of the records of three Sub Registrar offices¹ that in 78 cases, the built up area of car parking/stilt parking was not taken into account while calculating the consideration value of the property. However, in the instrument of sale deed, it was specifically mentioned that the vendee have the common rights to parking area. Thus, non consideration of proportionate construction value of common right to car parking/stilt parking resulted in short levy of stamp duty and registration fee amounting to ₹ 12.76 lakh.

Audit reported the matter to the Department and the Government in September 2012, but had not received any reply.

¹ SR II JanakPuri (19 cases), SR II A Punjabi Bagh (46 cases), and SR VIII Geeta Colony(13 cases)

4.8 Non implementation of the prescribed rates for buildings having more than four storeys

The Government of National Capital Territory of Delhi introduced the minimum circle rates relating to land and buildings situated in various categories of colonies vide Notification No. F.2 (12)/Fin.(E.I)/Part-file/Vol.-1 (ii)/3548, dated 18 July 2007. In the Annexure I of the notification, minimum rates for valuation of land and properties under section 27 and Section 47A of the Indian Stamp Act, 1899 (2 of 1899) have been prescribed. The rates were effective from the date of notification i.e. 18.07.07. Thereafter, minimum circle rates have been revised by the Government of NCT of Delhi with effect from 8 February 2011 and again from 16 November 2011.

As per para 4.1 of the said annexure of notification (effective from 16 November 2011), for built up flats in buildings having more than four storey, a uniform rate of ₹ 60,000 per sqm was to be taken as the minimum value of built up rate for DDA/Cooperative/Group Housing Societies. For multistoried flats by private builders, a multiplicative factor of 1.25 shall be employed.

Audit noticed (June to September 2012) during the test check of the records of four Sub Registrar offices² Delhi that in 39 cases stamp duty and registration fee was calculated between December 2011 and March 2012 according to para 1 to 3 of the notification instead of the rates prescribed for buildings having more than four stories as prescribed under para 4.1 of the notification. Thus, consideration of incorrect rate for calculating the value of properties resulted in short levy of stamp duty amounting to ₹ 108.28 lakh.

Audit reported the matter to the Department and the Government in September and October 2012, no reply had been received yet.

²SR I Kashmere Gate (3 cases), SR II JanakPuri (9 cases), SR II A Nangloi (16 cases) and SR VIII Geeta Colony (11 cases)

CHAPTER-5

MOTOR VEHICLE TAX

5.1 Tax administration

The Department of Transport is headed by the Principal Secretary cum Commissioner (Transport) who is responsible to the Government of NCT of Delhi for its administration. The Commissioner Transport exercises general supervision over all the 13 Zonal offices headed by the Motor Licensing Officer. The Zonal offices collect revenue from registration fee of vehicles, permit fee, road tax, issue of driving licenses etc.

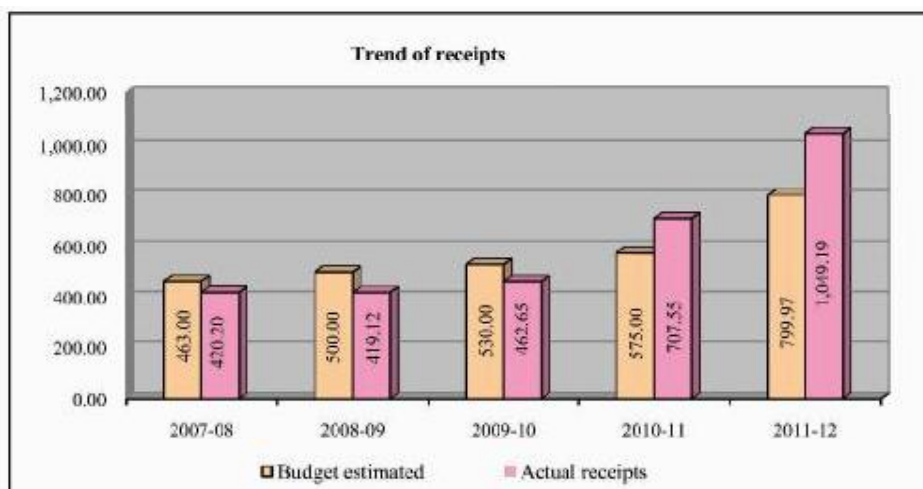
5.2 Trend of receipts

Actual receipts from taxes on vehicles during the period from 2007-08 to 2011-12 along with the total tax/non-tax receipts of the State during the same period are exhibited in the **Table 5.1** and **Graph**.

Table 5.1: Revenue receipts

(₹in crore)

Head of the revenue	Year	Budget estimates (BEs)	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
Taxes on vehicles	2007-08	463.00	420.20	(-) 42.80	(-) 9.24	11782.80	3.57
	2008-09	500.00	419.12	(-) 80.88	(-) 16.18	12180.70	3.44
	2009-10	530.00	462.65	(-) 67.35	(-) 12.71	13447.86	3.44
	2010-11	575.00	707.55	(+) 132.55	(+) 23.05	16477.75	4.29
	2011-12	799.97	1049.19	(+) 249.22	(+) 31.15	19971.67	5.25



It is seen that the variation between BEs and the actual receipts was as low as (-) ₹ 42.80 crore during 2007-08 and as high as ₹ 249.22 crore during 2011-12.

5.3 Cost of collection

The gross collection, expenditure on collection and the percentage of such expenditure to gross collection in respect of other tax and non-tax receipts during the year 2009-10 to 2011-12 along with the relevant all India average percentage of expenditure on collection are mentioned in **Table 5.2**:

Table 5.2: Cost of collection

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2010-11
Taxes on vehicles	2009-10	462.65	18.96	4.10	3.71
	2010-11	707.55	19.34	2.73	
	2011-12	1049.19	31.79	3.03	

From the above table it is evident that the percentage of expenditure on collection of taxes on vehicles was less than the all India average percentage for the year 2010-11 and 2011-12.

5.4 Internal audit

The Departments had no Internal Audit Mechanism of their own. The Directorate of Audit of the Finance Department of Government of NCT of Delhi is entrusted with Internal Audit function for all the Offices/Departments of Government of NCT of Delhi including Transport Department.

5.5 Results of audit

Test check of records relating to Department of Transport, Government of NCT of Delhi conducted during the year 2011-12 revealed non-transfer of revenue of ₹ 8.93 crore to the Government Account in a case which falls under the category given in **Table 5.3**:

Table 5.3: Category wise cases

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
Motor Vehicle Tax			
1.	Non-transfer of revenue to Government Account	1	8.93
2.	Others	42	00
Total		43	8.93

The case involving ₹ 8.93 crore is discussed in the following paragraph.

5.6 Other audit observations

Scrutiny of records in the Department of Transport, Government of NCT of Delhi relating to revenue receipt revealed a case of non-observance of provisions of Acts/Rules resulting in non-transfer of revenue to the Government Account as mentioned in the succeeding paragraph of this chapter. This case is illustrative and is based on a test check carried out in audit. There is, therefore, a need for the Government to improve the internal control system so that occurrence of such cases can be avoided.

5.7 Non-transfer of revenue amounting to ₹ 8.93 crore to Government Account

As per Rule 7 of the General Financial Rules, 2005, all moneys received by or on behalf of the Government either as dues of Government or for deposit, remittance or otherwise, should be brought into Government Account without delay. Rule 6 of Central Government Account (Receipts and Payment) Rules, 1983 also stipulates that all receipts of the Government should, without undue delay, be paid in full into the accredited bank for inclusion in Government Account. It further stipulates that moneys received as aforesaid shall not be utilized to meet departmental expenditure nor otherwise kept apart from the accounts of the Government.

In a meeting held on 11 February 2008 under the chairmanship of Chief Secretary, Government of NCT of Delhi, it was decided to assign the responsibility for operation and maintenance of Bus Rapid Transit (BRT) corridor from Ambedkar Nagar to Mool Chand to M/s Delhi Integrated Multi Model Transit System Ltd. (DIMTS) on nomination basis without following open tendering. In this regard, a proposal was moved by DIMTS for approval of the expenses by the Government subject to subsequent adjustment to the extent of revenues realised by DIMTS through advertisements on Bus Queue Shelters, Public Utility etc. The minutes of this meeting were prepared and circulated by DIMTS itself, and not by the Transport Department. The acceptance of these minutes by the Transport Department was not found on record either.

Audit noticed (March 2012) during the test check of the records of the office of the Commissioner of Transport, Government of NCT of Delhi that the decision taken in the aforesaid meeting was neither translated into a formal agreement nor were terms and conditions governing the entrustment of work to M/s DIMTS framed and mutually agreed. Nevertheless, DIMTS had been taking care of the operation and maintenance of the BRT corridor with effect from April 2008 and collected a sum of ₹ 8.93 crore during the period 2008-11 on account of advertisement revenue from Bus Queue Shelters on BRT corridor. DIMTS did not deposit this amount into Government Account but adjusted against the expenses on operation and maintenance of the corridor on the plea of decision taken in the meeting of February 2008.

Thus, the government revenue amounting to ₹ 8.93 crore remained out of government accounts as DIMTS did not deposit the amount collected by it on behalf of the Government.

On it being pointed out, the Department forwarded a copy of the reply received from DIMTS, which stated that DIMTS was to be compensated for operation and maintenance of the BRT corridor on the basis of actual expenditure minus the revenue generated through advertisements as per the decision taken in the meeting held in the office of Chief Secretary, Government of NCT of Delhi on 11 February 2008. The reply is not acceptable as the decision of the Government allowing DIMTS to set off the government revenue against the expenditure was inconsistent with the provisions of prescribed Receipt and Payment Rules.

Audit reported the matter to the Government in September 2012, their reply was awaited.

Chapter 6

Introduction on Public Sector Undertakings (Social, General, Revenue and Economic Sector)

Executive Summary

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The Accounts of Government Companies are audited by Statutory Auditors appointed by the C&AG of India. These Accounts are also subject to supplementary audit conducted by the C&AG of India. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2012, Delhi had 17 working Public Sector Undertakings (PSUs) - 15 Government Companies and two Statutory Corporations. The State PSUs employed 0.48 lakh employees and had registered a turnover of ₹ 7341.49 crore for 2011-12 as per their latest finalised Accounts as on 30 September 2012. This turnover was equal to 2.34 *per cent* of State GDP. The PSUs incurred an aggregate loss of ₹ 645.50 crore for 2011-12 and had accumulated losses of ₹ 15519.42 crore.

As on 31 March 2012, the investment (capital and long term loans) in 17 PSUs was ₹ 28085.32 crore. It grew by 148.26 *per cent* from ₹ 11312.87 crore in 2006-07. The Government contributed ₹ 942.96 crore towards Equity, Loans and Grants/Subsidies to State PSUs during 2011-12.

During the year 2011-12, out of 17 working PSUs, four new companies incorporated during the year, had not finalized their financial statements till 30 September 2012. Out of remaining 13 PSUs, eight earned profit of ₹ 1772.40 crore, four incurred loss of ₹ 2417.90 crore and one PSU was at break-even. The major contributors to profit were Delhi Transco Limited (₹ 1005.33 crore), Indraprastha Power Generation Company Limited (₹ 397.14 crore), Pragati Power Corporation Limited (₹ 220.26 crore), Delhi State Industrial and Infrastructure Development Corporation Limited (₹ 123.52 crore) and Delhi Tourism and Transportation Development Corporation Limited (₹ 20.86 crore). Heavy losses were incurred by Delhi Transport Corporation (₹ 2335.13 crore) and Delhi Power Company Limited (₹ 82.64 crore).

The losses were mainly attributable to deficiencies in planning, monitoring implementation of projects and financial management. A review of three years' Audit Reports of the C&AG of India shows that the State PSUs incurred losses of ₹ 1967.34 crore, which were controllable with better management. The PSUs can discharge their role efficiently if only they are self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

The quality of Accounts of PSUs needs improvement. Nine out of 12 Accounts finalised during October 2011 to September 2012, received qualified certificates. There were seven instances of non-compliance with Accounting Standards in Accounts of five companies.

Eight PSUs had arrears of 16 Accounts as of September 2012. The arrears need to be cleared as per the provisions of the Companies Act, 1956.

6.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of the people. In Delhi, the State PSUs occupy a modest but important place in the State economy. The State PSUs registered a turnover of ₹ 7341.49 crore for the year 2011-12 as per their latest finalised accounts as of 30 September 2012. This turnover was equal to 2.34 *per cent* of the State Gross Domestic Product (GDP) of ₹ 313934 crore in 2011-12. Major activities of the Delhi State PSUs are concentrated in Power and Transport sector. The State PSUs incurred a loss of ₹ 645.50 crore in aggregate as per the latest finalised accounts as of 30 September 2012 and employed 0.48 lakh employees as on 31 March 2012.

As on 31 March 2012, there were 17 PSUs (all working) which included 15 (11+4¹) Government Companies and two Statutory Corporations. None of these companies was listed on any stock exchange.

6.2 Audit mandate

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which, not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes a subsidiary of the Government Company as well. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act, 1956.

The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by C&AG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per the provisions of Section 619 of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. Out of two Statutory Corporations, C&AG is the sole auditor for Delhi Transport Corporation (DTC). For Delhi Financial Corporation (DFC), the audit is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

¹ (i) DSIIDC Exim Limited, (ii) DSIIDC Liquor Limited, (iii) DSIIDC Energy Limited and (iv) DSIIDC Maintenance Services Limited were incorporated in May 2011.

6.3 Investment in State PSUs

As on 31 March 2012, the total investment (capital and long-term loans) in 17 PSUs (all working) was ₹ 28085.32 crore given in **Table 6.1**:

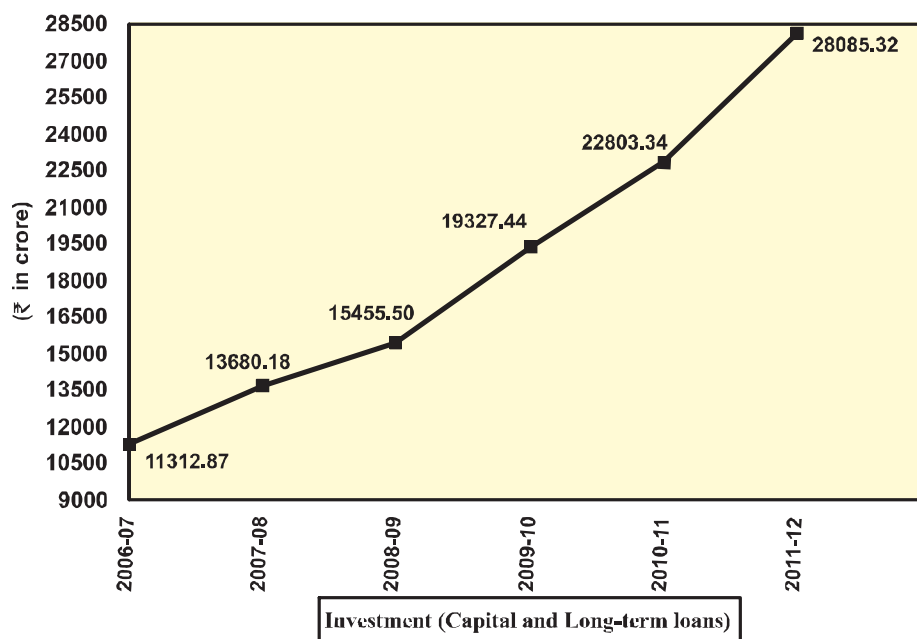
Table 6.1 : Investment in PSUs

(₹ in crore)

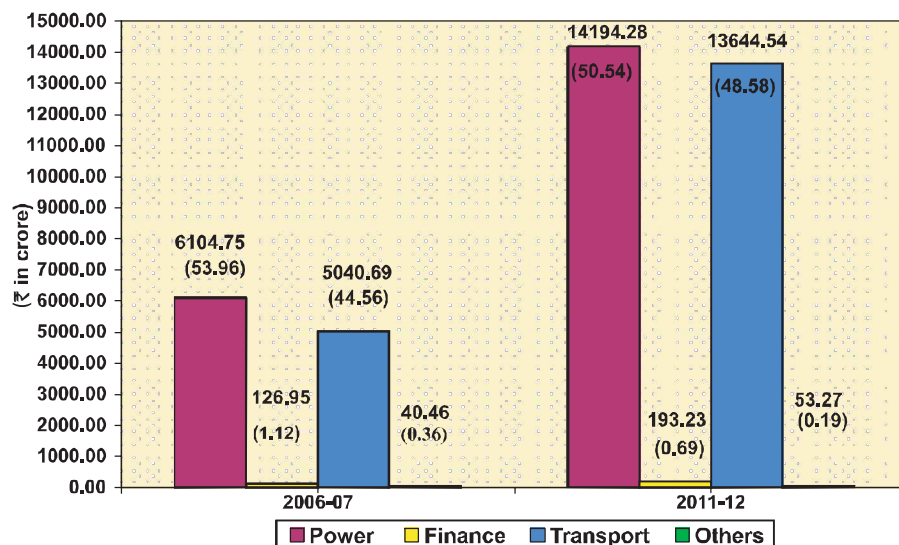
Government companies			Statutory corporations			Grand Total
Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
7203.66	7275.68	14479.34	1810.48	11795.50	13605.98	28085.32

A summarised position of Government investment in State PSUs is given in **Annexure 6.1**.

As on 31 March 2012, of the total investment in State PSUs, 32.10 *per cent* was towards Capital and 67.90 *per cent* towards Long-term loans. The investment has grown by 148.26 *per cent*, from ₹ 11312.87 crore in 2006-07 to ₹ 28085.32 crore in 2011-12 as shown in the following graph:



The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart.



(Figures in brackets indicate the percentage of total investment)

The thrust of PSUs' investment was in Transport and Power sectors. The investment in Transport sector increased from ₹ 5040.69² crore in 2006-07 to ₹ 13644.54 crore in 2011-12 with corresponding increase in percentage share in total investment from 44.56 per cent (2006-07) to 48.58 per cent (2011-12). In Power sector, though the investment increased from ₹ 6104.75 crore in 2006-07 to ₹ 14194.28 crore in 2011-12, its percentage share in total investment decreased from 53.96 per cent (2006-07) to 50.54 per cent (2011-12).

6.4 Budgetary outgo, grants/subsidies, guarantees and loans

The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued and loans converted into equity in respect of State PSUs are given in *Annexure 6.2*. The summarised details for three years ended 2011-12

² Figures include investment of ₹ 7.30 crore (equity) made in DIMTS. The Company ceased to be a Government company during 2007-08

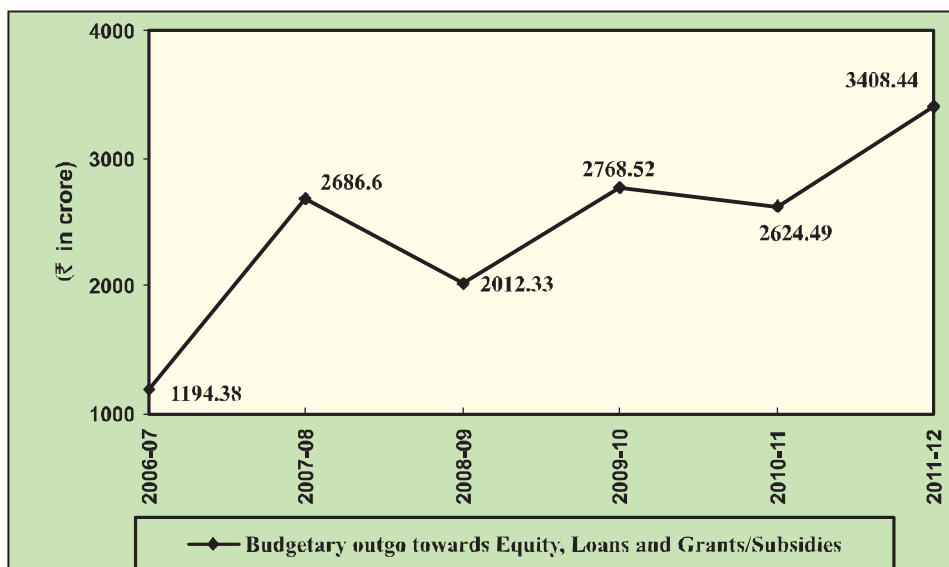
are given in **Table 6.2:**

Table 6.2 : Budgetary outgo to State PSUs

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	626.06	3	222.89	5	1300.40
2.	Loans given from budget	1	1981.28	1	2128.60	5	1191.01
3.	Grants/Subsidy received	6	161.18	7	273.00	5	917.03
4.	Total Outgo ³ (1+2+3)	7	2768.52	8	2624.49	9	3408.44
5.	Loans converted into equity	-	-	1	239.00	-	-
6.	Loans written off	-	-	-	-	-	-
7.	Guarantees received during the year	1	633.22	-	-	-	-

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given in the graph:



The budgetary outgo towards equity, loans, grants/subsidy showed a mixed trend during the six years period between 2006-07 and 2011-12. It stood at ₹ 3408.44 crore in 2011-12 as compared to ₹ 1194.38 crore in 2006-07. There was an increase of ₹ 783.95 crore in 2011-12 over that of the previous year. Delhi Transco Limited (₹ 616.36 crore loan), Pragati Power Corporation Limited (₹ 400 crore equity and ₹ 300 crore loan), Delhi Power Company

³ Actual number of PSUs which received budgetary support.

Limited (₹ 500 crore equity and ₹ 362.35 crore grant) and Delhi Transport Corporation (₹ 201 crore equity and ₹ 530.90 crore grant) were the major recipients of the budgetary outgo during the year 2011-12.

6.5 Reconciliation with Finance Accounts

The figures of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the difference. The position in this regard as at 31 March 2012 is given in Table 6.3:

Table 6.3 : Details of unreconciled equity and loans

(₹ in crore)

Particulars	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity ⁴	8195.22	8594.09	(-) 398.87
Loans ⁵	156.56	2323.23	(-)2166.67

It was observed that the difference occurred in equity and loan figures in respect of nine⁶ PSUs. In case of two companies (Shahjahanabad Redevelopment Corporation and Geospatial Delhi Limited) differences were pending reconciliation for last four years. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

6.6 Performance of PSUs

The financial results of PSUs are indicated in *Annexure 6.3* and financial position and working results of statutory corporations are indicated in *Annexure 6.4 and 6.5* respectively. The ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. The details of working PSUs turnover and State GDP for the period 2006-07 to 2011-12 are given in Table 6.4:

Table 6.4: Percentage of PSUs turnover to State GDP

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover ⁷	8283.41	3019.71	3555.63	5211.80	5255.01	7341.49
State GDP ⁸	135583.65	157947.18	189533.12	223759.38	264495.61	313933.51
Percentage of Turnover to State GDP	6.11	1.91	1.88	2.33	1.99	2.34

⁴ Equity figure consists of share of the State Government only.

⁵ Figures of Loan were taken from the records of the companies and matched with information sourced from PAOs. Information from four PAOs in respect of six companies were received out of five PAOs. Rest of the figures were awaited.

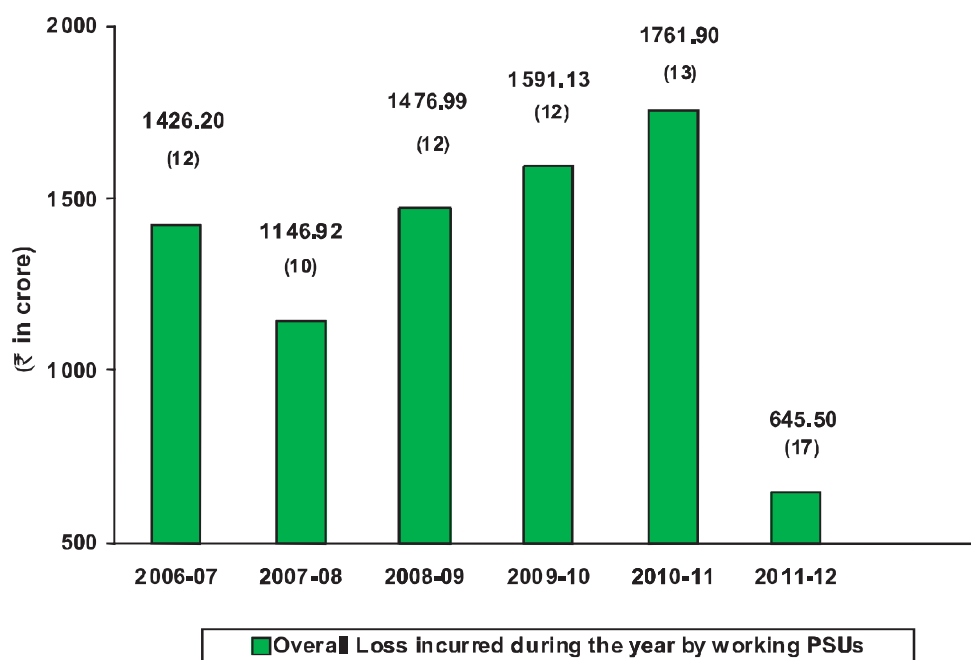
⁶ Equity figures of companies at Sl. No. 3, 5, 11, 15 and 17 and Loan figures of companies at Sl. No. 1, 4, 5, 6, 10 and 15 in *Annexure 6.1*.

⁷ Turnover as per the latest finalised accounts as of 30 September of the respective year.

⁸ The figures shown are based on revised estimates (2008-09), provisional estimates (2009-10), quick estimates (2010-11) and advance estimates (2011-12).

The turnover of PSUs declined by more than 63 per cent in 2007-08 over that of 2006-07 because of transfer of one of the major activities of one power sector - PSU (Delhi Transco Limited) relating to sale of power to power distribution companies in private sector with effect from 1 April 2007. This correspondingly caused significant decline in percentage of turnover of PSUs to State GDP in subsequent years. However, turnover of PSUs showed an increasing trend from the year 2008-09 onwards.

Losses incurred by State PSUs during 2006-07 to 2011-12 are given in the chart below:



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

The working PSUs incurred overall losses of ₹ 1426.20 crore during the year 2006-07, which increased to ₹ 1761.90 crore in 2010-11. These losses significantly decreased to ₹ 645.50 crore during 2011-12. During the year 2011-12, out of 17 working PSUs, four PSUs newly incorporated during the year had not finalized their financial statements till 30 September 2012. Of the remaining 13 PSUs, eight PSUs earned profit of ₹ 1772.40 crore, four PSUs incurred loss of ₹ 2417.90 crore and one PSU was at break-even. The major contributors to profit were DTL (₹ 1005.33 crore), IPGCL (₹ 397.14 crore), PPCL (₹ 220.26 crore), DSIIDC (₹ 123.52 crore) and DTTDC (₹ 20.86 crore). The heavy losses were incurred by DTC (₹ 2335.13 crore) and DPCL (₹ 82.64 crore).

The losses of PSUs are mainly attributable to deficiencies in planning, monitoring, implementation of projects and financial management. A review of latest Audit Reports of the C&AG shows that the State PSUs incurred losses to the tune of ₹ 1967.34 crore which were controllable with better

management. Year wise details from Audit Reports are given in Table 6.5:

Table 6.5 : Details of controllable losses as per the latest Audit Reports of the C&AG

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit (+) / loss (-)	(-)1591.13	(-)1761.90	(-)645.50	(-)3998.53
Controllable losses as per C&AG's Audit Report	702.19	5.80	1259.35	1967.34

The above losses pointed out by Audit Reports of the C&AG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses could have been minimized. The PSUs can discharge their role efficiently only, if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

Some other key parameters pertaining to State PSUs are given in Table 6.6:

Table 6.6: Some other key parameters of State PSUs

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (<i>Per cent</i>)	-	6.78	-	0.48	-	10.45
Debt	10452.39	7857.61	8910.50	12155.74	15089.70	19071.18
Turnover ⁹	8283.41	3019.71	3555.63	5211.80	5255.01	7341.49
Debt/ Turnover Ratio	1.26:1	2.60:1	2.51:1	2.33:1	2.87:1	2.60:1
Interest Payments	964.81	1302.00	1474.21	1614.00	1578.67	2140.48
Accumulated Profits/ (Losses)	(8712.51)	(10851.79)	(12395.49)	(14266.66)	(14242.56)	(15519.42)

(Above figures pertain to all PSUs)

The above parameters exhibit deterioration in the financial position of the PSUs. Between 2006-07 and 2011-12, the percentage of Return on Capital Employed (ROCE) showed mixed trend. During 2006-07, 2008-09 and 2010-11 ROCE was negative. It stood at 10.45 *per cent* in 2011-12. The debt to turnover ratio has deteriorated since 2006-07 and registered at 2.60:1 in 2011-12. The accumulated losses also increased steadily between 2006-07 and 2011-12.

As per their latest finalised accounts, eight¹⁰ PSUs earned a profit of ₹ 1772.40 crore, but only two companies *viz.* the DTL and the DTTDC declared dividend of ₹ 11.85 crore and ₹ 0.63 crore respectively.

6.7 Arrears in finalisation of accounts

As per Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, the accounts of the companies for each financial year are required to be finalised within six months from the close of the relevant financial year.

⁹ Turnover of working PSUs as per the latest finalised accounts as of 30 September of the respective year.

¹⁰ Serial No. 1, 2, 5, 6, 7, 8, 9 and 12 in *Annexure 6.3*.

Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The details of finalisation of accounts of working PSUs as on 30 September 2012 are given in **Table 6.7:**

Table 6.7: Details of finalisation of accounts of working PSUs as on 30 September 2012

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of Working PSUs	10	12	12	13	17
2.	Number of accounts finalised during the year	14	11	14	11	12
3.	Number of accounts in arrears	10	11	9	11	16
4.	Average arrears per PSU (3/1)	1.00	0.92	0.75	0.85	0.94
5.	Number of working PSUs with arrears in accounts	2	3	3	4	8 ¹¹
6.	Extent of arrears	1 to 8 years	1 to 9 years	1 to 7 years	1 to 8 years	1 to 9 years

The average number of accounts in arrears per working PSU decreased from 1.00 in 2007-08 to 0.94 in 2011-12. One PSU namely the Delhi SC/ST/OBC/Minorities and Handicapped Financial and Development Corporation Limited had major backlog of nine years of accounts. Other PSUs had only one year's accounts in arrear as on 30 September 2012.

The State Government had invested ₹ 942.96 crore (equity: ₹ 369.68 crore, loans: ₹ 37.14 crore and grants/subsidy: ₹ 536.14 crore) in three PSUs during the years for which accounts have not been finalised as detailed in *Annexure 6.6*. In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested had been achieved or not. 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 the entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in finalization of accounts is taken up every month with the Principal Secretary (Finance), Government of NCT of Delhi to expedite clearance of the arrears in accounts in a time bound manner. The matter was also taken up with the Chief Secretary, Government of NCT of Delhi in December 2012.

¹¹ Serial No. 1, 2, 11 and 13 of *Annexure 6.3* and four newly formed companies.

6.8 Comments on Accounts and internal audit

6.8.1 Government Companies

Nine working companies forwarded their ten audited accounts to Audit during the period from October 2011 to September 2012. Of these, nine accounts were selected for supplementary audit and one account was issued a non review certificate. The audit reports of Statutory Auditors appointed by the C&AG and the supplementary audit of the C&AG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of audit comments of Statutory Auditors and the C&AG are given in **Table 6.8:**

Table 6.8: Aggregate money value of audit comments of Statutory Auditors and the C&AG

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	4	17.48	3	7.90	3	10.68
2.	Increase in Profit	4	86.71	-	-	1	47.55
3.	Increase in Loss	1	7.52	1	381.88	1	220.31
4.	Decrease in Loss	1	1.00	-	-	-	-
5.	Non-disclosure of material facts	5	242.27	-	-	-	-
6.	Errors of classification	3	4.30	2	20.87	2	22.71

During the year, the Statutory Auditors had given unqualified certificate for three accounts and qualified certificates for seven accounts. Additionally, the C&AG gave qualified certificate for two accounts, unqualified certificate for seven accounts after supplementary audit and issued non-review certificate for one account. There were seven instances of non-compliance with Accounting Standards during the year.

Some of the important comments in respect of accounts of the companies finalised during the year 2011-12 are stated below:

Delhi Power Company Limited (2011-12)

- Accounting Standard-13 envisages that reduction in value of long term investment, other than temporary, be charged to Profit & Loss Account. The Company's equity investment of ₹ 260 crore (2600 lakh shares of ₹10 each) in DTL, as on 31.03.2011, worked out to ₹ 1.5267 per share, resulting in reduction of value of equity investment to ₹ 39.69 crore. The reduction in value of investment was not charged to Profit & Loss Account which resulted in overstatement of Profit by ₹ 220.31 crore.

Indraprastha Power Generation Company Limited (2011-12)

- The cost of carpet coal of ₹ 3.97 crore was charged to Repair and Maintenance (Prior Period Expenses) instead of Fuel Consumption.

**Delhi Tourism and Transportation Development Corporation Limited
(2011-12)**

- Non-compliance of Accounting Standard-28 on “Impairment of Assets” issued by the Institute of Chartered Accountants of India (ICAI) led to non-provision of impairment losses of ₹ 0.76 crore. This resulted in overstatement of profit and assets by ₹ 0.76 crore.

Delhi State Industrial Infrastructure Development Corporation (2010-11)

- The Company made provision in the year 2008-09 against the income of ₹ 47.55 crore booked in previous year in respect of CETP scheme for which the DSIIDC was appointed an executing agency on behalf of Delhi Government on the basis of fixed departmental charges. There was no documentary evidence available that the Corporation had a present obligation in this regard as a result of past events. In view of this, provision made was not in conformity with the Accounting Standard-29, applicable for making provisions, contingent liability and contingent assets.
- The Company allotted (1993-94) fully paid up equity shares worth ₹ 12.26 crore for consideration other than cash in respect of receipt of actual consideration of ₹ 11 crore for transfer of 2919 work centres. The Company has been showing the balance amount of ₹ 1.16 crore (after adjusting the receipt of ₹ 10 lakh during 1998-99) as recoverable without any corroboration/confirmation from the Government of NCT of Delhi.
- The booking of expenditure of ₹ 34.84 crore in respect of construction of 896 flats at Bawana under low cost Housing Scheme, included expenditure of ₹ 2.08 crore booked on provisional/estimated basis in absence of bills.
- In respect of Bawana Relocation Industrial Scheme, DTL (erstwhile DVB) demanded ₹ 10.86 crore as per last year utilisation certificate. As per the latest utilisation certificate dated 30.11.2010, DTL demanded ₹ 8.13 crore. The variance in these figures was not reconciled. As the reconciliation process is pending for past many years, the Company had not booked any provision of the excess expenditure as claimed by DTL. The effect of the same had not been taken into account.
- 626 flats at Pocket-B, Bawana Industrial Complex were shown on actual cost in the balance sheet but the net realisable value of such flats was less than the actual cost. This was in contravention to the Accounting Standard-2 (valuation of inventories). This resulted in overstatement of profit by ₹ 1.10 crore.
- The Company had not disclosed its accounting policy on ‘post retirement medical facility scheme for the retired staff’ as per the Accounting Standard-15.

6.8.2 Statutory Corporation

Similarly, two working Statutory corporations forwarded two accounts to Audit during the period October 2011 to September 2012. Of these, accounts of one Corporation i.e., DTC, audited under Section 19 of CAGs (DPC) Act, 1971 and accounts of the other Corporation i.e., DFC was taken up for supplementary audit. The Audit Reports of statutory auditors and the supplementary audit of the C&AG indicate that the quality of maintenance of accounts need to be improved. The details of aggregate money value of comments of Statutory Auditors and the C&AG are given in **Table 6.9:**

Table 6.9: Aggregate of money value of comments of Statutory Auditors and the C&AG

Sl. No.	Particulars	2009-10		2010-11		2011-12 ¹²	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	-	-	1	0.05	1	0.10
2.	Increase in Profit	1	0.26	-	-	-	-
3.	Increase in Loss	1	543.05	1	1677.89	1	11.34
4.	Decrease in Loss	1	1.17	-	-	-	-
5.	Non-disclosure of material facts	1	19.43	-	-	-	-
6.	Errors of classification	1	3.82	2	15.99	2	18.68

(₹ in crore)

During the year, out of two Accounts of two Corporations, DFC received unqualified certificate from Statutory Auditors and qualified certificate from the C&AG. In respect of DTC, where the C&AG is the sole auditor, audit for the year 2011-12 was in progress (January 2013).

Some of the important comments in respect of Accounts of the Statutory corporations were:

Delhi Financial Corporation (2011-12)

Deviations were made in the Balance Sheet by the Corporation as compared to Form C of Regulation 93 of the Delhi Financial Corporation (General) Regulations, 2006:

- Term Deposit in respect of Pension Fund Accounts with Banks (₹ 11.80 crore) were shown under 'Other Assets' while as per regulations, these pension fund deposits should have been deducted from 'DFC Employee Pension Fund' under the head 'Other Liabilities' resulting in overstatement of 'Other Assets' and 'Other Liabilities' by ₹ 11.80 crore.

¹² Impact of comments on accounts is for the year 2010-11 in respect of DTC and for 2011-12 in respect of DFC

- The liability of ₹ 2.63 crore on account of cheque issued but not presented for payment was deducted from Cash and Bank balances, while as per above regulation, the said liability should have been shown separately, resulting in understatement of Cash and Bank balances and Other Liabilities by ₹ 2.63 crore.
- Provision for 'Standard Assets' of ₹ 44.68 lakh was adjusted against 'Loans and Advances', while as per regulation, the provision should have been shown under the head 'Provisions' in liability side of the Balance Sheet, resulting in understatement of Loan and Provisions by ₹ 44.68 lakh.

The compliance was not done by the Corporation even after Audit had pointed out the said shortcomings on the Accounts for the year ended 31 March 2011.

Delhi Transport Corporation (2010-11)

- The Corporation adjusted 'Gratuity Payable' amounting to ₹ 0.78 crore from 'Gratuity Fund Account' instead of 'Gratuity Fund Adjustment Account' which resulted in overstatement of 'Gratuity Fund Adjustment Account' and understatement of 'Gratuity Fund' by like amount.
- The Corporation had shown surplus and obsolete stores of ₹ 1.36 crore. However, the Corporation had estimated the net realisable value of the stores as per Accounting Standard-2 at ₹ 0.36 crore (26.18 per cent). This had resulted in overstatement of 'Stores and Material in Stock and Transit' and understatement of losses for the year by ₹ 1.00 crore each.
- An amount of ₹ 1.56 crore was paid as advance to Delhi Development Authority as deposits for purchase of land. The Corporation should have shown it under 'Loans and Advances' instead of 'Sundry Debtors'. This resulted in overstatement of 'Sundry Debtors and Other Receivables' and understatement of 'Advances and Deposits' by ₹ 1.56 crore each.
- The Corporation had to recover licence fee from an advertiser for which the matter was sub-judice. The Corporation had recognised the interest on the recoverable licence fee amounting to ₹ 9.38 crore. As the matter was sub-judice, recognition of interest income was incorrect. This resulted in overstatement of 'Sundry Debtors' and understatement of 'Provision for Bad Debts' and consequent understatement of loss by ₹ 9.38 crore.
- The Corporation had paid ₹ 0.78 crore to M/s. Electronics Corporation of India Limited (ECIL) in respect of Integrated Security System (ISS) installed at IP Power Station of DTC Bus Parking for Commonwealth Games Project. The contractor completed the work and submitted final bill of ₹ 1.46 crore but the Corporation had not accounted for the same. This resulted in overstatement of 'Advances and Deposits' by ₹ 0.78 crore, understatement of 'Fixed Assets' by ₹ 1.46 crore, understatement of 'Current Liabilities' by ₹ 0.68 crore, understatement of 'Depreciation' as well as understatement of loss by ₹ 0.58 crore each.

- Fringe Benefit Tax of ₹ 0.45 crore for the year 2008-09, though provided, was not paid by the Corporation. The interest liability thereon was also not provided in the accounts. This resulted in understatement of 'Current Liabilities' and loss to the extent of ₹ 0.11 crore.
- The Corporation has not disclosed the accounting policy adopted for treatment of Government Grants in its financial statements in contravention of the AS-12.

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the C&AG to them under Section 619 (3) (a) of the Companies Act, 1956 and to identify areas which need improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal Control system in respect of one Company¹³ for the year 2010-11 and four Companies¹⁴ for the year 2011-12 are given in **Table 6.10**:

Table 6.10: Resume of major comments made by the Statutory Auditors

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies	Reference to serial number of the Companies as per Annexure 6.3
1.	Non-fixation of minimum/maximum limits of store and spares	5	A-2, 5, 6, 7 & 8
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	5	A-2, 5, 6, 8 & 9
3.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of Fixed Assets and their locations	5	A- 2, 6,7,8 & 9

6.9 Recovery at the instance of audit

The private liquor suppliers supply liquor at various vends in Delhi and DSIIDC makes payment to the suppliers. Till the year 2003-04, the payment policy stipulated that payment will be made to suppliers after seven days, if they allow one *per cent* cash discount. The policy was discontinued from the year 2004-05. In November 2008, the DSIIDC adopted a revised ordering policy for suppliers. But at the same time, the DSIIDC did not review and restart one *per cent* cash discount policy. Audit pointed out that even if 50 *per cent* bills of the suppliers were paid within a week's time, the DSIIDC could have earned an additional income of ₹ 3.74 crore during the period 2009-12. At the instance of Audit, the DSIIDC reviewed and reintroduced the cash discount policy and earned ₹ 6.24 lakh till November 2012.

¹³ Sr. No. 2 in *Annexure – 6.3*.

¹⁴ Sr. No. 6, 7, 8 and 9 in *Annexure – 6.3*.

6.10 Status of placement of Separate Audit Reports

Separate Audit Reports (SAR) issued by the C&AG on the Accounts of Statutory Corporation are placed in the Legislature by the Government. The status of placement of SARs in the Legislature is given in the **Table 6.11**:

Table 6.11: Status of placement of SARs in the Legislature

Sl. No.	Name of Statutory corporation	Year up to which SAR placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Delhi Transport Corporation	2010-11	-	-	-

6.11 Disinvestment, Privatisation and Restructuring of PSUs

The State Government had not undertaken the exercise of disinvestment, privatization or restructuring of any of the State PSU during 2011-12.

Chapter 7

Performance Audit of Delhi Transco Limited

Executive Summary

Transmission of electricity and grid operations in Delhi are managed and controlled by the Delhi Transco Limited (DTL). By the end of March 2012, the transmission network constituted three 400 KV substations and twenty eight 220 KV substations with installed capacity of 12191 MVA and transmission lines of 890.534 CKM.

The performance audit of the DTL for the period 2007-08 to 2011-12 was conducted to assess the economy, efficiency and effectiveness of its operations and ability to meet the objectives of its establishment.

The DTL could commission seven EHT SSs and 87.750 CKM of EHT lines during 2007-08 to 2011-12 against the planned 12 EHT SSs and 255.01 CKM of EHT lines. The transmission capacity added/ augmented was 2380 MVA against the target of 7420 MVA (32.08 *percent* of target) during 2007-08 to 2011-12.

No year-wise targets for transmission capacity were communicated by the Government of India (GOI) and the Government of NCT of Delhi to DTL. However, GOI communicated to DTL to have the capacity of 14000 MVA by March 2012. Against this, the capacity achieved by DTL (12191 MVA) as on March 2012 was less by 13 *per cent*. The DTL could not complete its projects as per the original schedule and time frame of 28 months for Line projects and 24 months for SS projects as prescribed by the CEA.

The time overrun ranged between 13 and 64 months in Line projects and 21 and 78 months in SS projects. There was cost overrun of ₹ 109.04 crore due to substantial time gap in conceiving and implementation of projects of transmission lines and SSs.

Non-synchronisation of interconnected projects/activities and delayed execution of projects resulted in blockade of funds of ₹ 287.09 crore. There was further loss/ avoidable/ extra expenditure of ₹ 64.42 crore due to various deficiencies observed in execution of projects. Though transmission loss declined from 1.59 *per cent* to 1.21 *per cent*, it exceeded the DERC norms of 0.95 *per cent* in all the five years resulting in loss of ₹ 10.54 crore. The voltage levels could not be stabilized as flow of reactive power was not regulated due to inadequate number of Capacitor Banks/Shunt Reactors. Delay in decision making, wrong decision and improper contracting led to extra/avoidable expenditure of ₹ 5.35 crore besides affecting the operation and maintenance of SSs and Lines.

An Unscheduled Interchange Pool Account Fund having balance of ₹ 165 crore as on 31 March 2012 was maintained by SLDC but no amount was utilised for any scheme of improvement of the grid system.

The DTL started earning operating profit from 2007-08. The profit before tax of the DTL increased from ₹ 58.79 crore in 2007-08 to ₹ 1005.33 crore in 2011-12. The increase in profit in 2011-12 was mainly due to additional income of ₹ 478.91 crore on account of allowing arrears for the period 2007-08 to 2010-11, higher expenditure of ₹ 51.63 crore allowed for 2011-12 by DERC in ARR of 2011-12 and increase in other miscellaneous income by ₹ 182 crore. The accumulated loss of the DTL reduced from ₹ 3607.30 crore in 2007-08 to ₹ 2552.29 crore in 2011-12.

There is a deficit of ₹ 1248.27 crore in amount claimed by the DTL in ARR that was approved by DERC for the period 2007-08 to 2011-12, though the same is yet to be trued up. Rebate of ₹ 6.81 crore was given to DISCOMs by the DTL on wheeling power which was not allowed by DERC.

DISCOMs (BRPL and BYPL) were not regular in payment of wheeling charges from October 2010 onwards. An amount of ₹ 754.83 crore was pending for recovery from them, as on 15 December 2012.

Deficiencies in procurement of material resulted in loss and extra expenditure of ₹ 4.44 crore. Abnormal delays between seven and 80 months in disposal of scrapped transformers resulted in blockade of ₹ 7.03 crore and loss of revenue of ₹ 2.54 crore.

7.1 Introduction

With a view to supply reliable and quality power to all by 2012, the Government of India (GOI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the transmission system required adequate and timely investment besides efficient and coordinated action to develop a robust and integrated power system for the country. It also, inter-alia recognized the need for development of National and State grid with the coordination of Central/State Transmission Utilities. Transmission of electricity and grid operations in Delhi are managed and controlled by Delhi Transco Limited (DTL) which is mandated to provide an efficient, adequate and properly coordinated grid management and transmission of energy. The DTL, a successor company of erstwhile Delhi Vidyut Board (DVB) for the power transmission activities was incorporated on 4 July 2001 under the Companies Act, 1956 and came into existence on 1 July 2002. After unbundling of DVB, the power distribution sector in NCT of Delhi has been handed over to private companies while the generation and transmission are still with the Government. The DTL is under administrative charge of Department of Power, Government of NCT of Delhi (GNCTD).

The management of the DTL is vested with a Board of Directors comprising eight members appointed by the State Government including four independent directors. The day-to-day operations are carried out by the Chairman cum Managing Director who is the Chief Executive of the DTL, with assistance of Director (Operations), Director (Finance), Director (Human Resources) and Company Secretary. As on 31 March 2012, the DTL had transmission line network of 890.534 Circuit Kilo Meter (CKM) and 31 nos. sub-stations (SSs) with installed capacity of 12191 Mega Voltage Ampere (MVA), capable of annually transmitting 52306 Million Units (MU)¹ at 70 per cent capacity at 220 KV.

Against the power requirement of Delhi, ranging from 22086 MU to 25602 MU, the power transmitted by the DTL ranged from 21958 MU to 25284 MU during the period 2007-08 to 2011-12 (the power transmitted being 99.24 per cent to 99.70 per cent of the requirement) (discussed at paragraph 7.8.4). The turnover of the DTL was ₹ 1447.36 crore in 2011-12, which was equal to 0.46 per cent of State Gross Domestic Product of ₹ 313934 crore for the same year. Its employee strength was 1666 as on 31 March 2012.

7.2 Audit scope

The present Performance Audit conducted between February and June 2012 covered performance of the transmission activities of the DTL during the period 2007-08 to 2011-12.

¹ Million Units : One unit of electricity equal to 1 KWH (1000 watts) of power used for 1 hour (1 unit= 1KWH and 1MU= 1000000 KWH)

The Capital Projects (transmission lines and sub-stations) planned *vis a vis* taken up by the DTL for execution and examined by Audit during the period 2007-08 to 2011-12 are detailed in **Annexure 7.1**.

Audit examination involved scrutiny of records at the Head Office and units viz. State Load Dispatch Centre (SLDC), Planning, Projects, Construction, Operation and Maintenance (work orders for repair and maintenance of SSs and Lines exceeding tendered value of ₹ 25 lakh), Stores and Purchase (procurement orders exceeding ₹ 25 lakh), Finance and Commercial departments of the DTL.

7.3 Audit objectives

The objectives of the performance audit were to assess whether:

- ❖ perspective plan was prepared in accordance with the guidelines of the National Electricity Policy and State Electricity Regulatory Commission (SERC) and assessment of impact of failure to plan, if any,
- ❖ operation and maintenance of transmission system was carried out in an economical, efficient and effective manner,
- ❖ the transmission system was developed and commissioned in an economical, efficient and effective manner,
- ❖ Disaster Management System was set up to safeguard its operations against unforeseen disruptions,
- ❖ effective and efficient financial management system with emphasis on timely raising and collection of bills and filing of Aggregate Revenue Requirement (ARR) for tariff revision in time was in place,
- ❖ efficient and effective system of procurement of material and inventory control mechanism was in place,
- ❖ efficient and effective energy accounting and audit meters in line with guidelines of Central Electricity Authority (CEA) were installed, and
- ❖ there was a monitoring system in place to review existing/ongoing projects, take corrective measures to overcome deficiencies identified, respond promptly and adequately to Audit/Internal audit observations.

7.4 Audit criteria

The performance audit of the DTL was benchmarked against the criteria drawn from the following sources:

- ❖ Provisions of National Electricity Policy,
- ❖ Perspective Plan and Project Reports of the DTL,
- ❖ Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics,

- ❖ ARR filed with Delhi Electricity Regularity Commission (DERC) for tariff fixation, Circulars, Manuals, MIS Reports and Board Agenda,
- ❖ Manual of Transmission Planning Criteria (MTPC),
- ❖ Grid Code consisting of planning, operation, connection codes,
- ❖ Directions issued by the State Government and the Ministry of Power (MoP), GOI,
- ❖ Norms and Guidelines issued by DERC/CEA, and
- ❖ Best practices in transmission recommended in the Report of the Committee constituted by the MoP.

7.5 Audit methodology

The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion on audit findings with the Management, issue of draft Report to the Management and the Government for comments.

Audit followed the following mix of methodologies:

- ❖ Review of agenda notes and minutes of the meetings of the Board and Grid Coordination Committee (GCC), Annual Reports, Reports of SLDC and MIS,
- ❖ Scrutiny of physical and financial progress reports,
- ❖ Analysis of data from annual accounts/budgets and physical as well as financial progress with completion reports,
- ❖ Review of ARR and Tariff fixed by DERC,
- ❖ Scrutiny of records relating to award of projects, execution, funding and expenditure,
- ❖ Scrutiny of records relating to procurement of material and inventory control, and
- ❖ Interaction with Management.

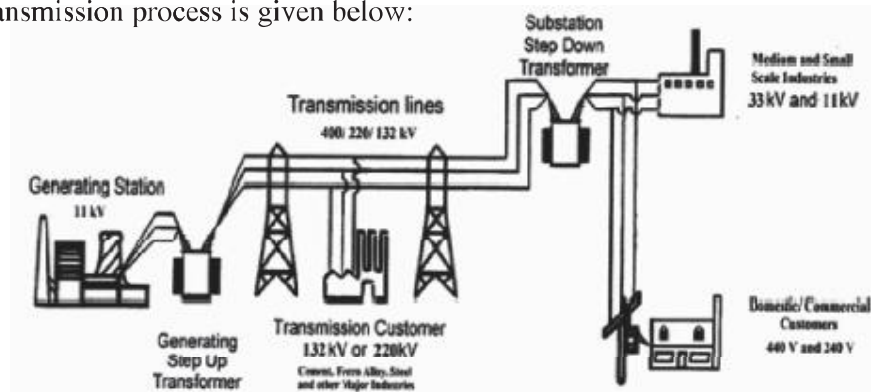
7.6 Brief description of transmission process

Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 132 KV and above. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the grid. SSs are having facilities within the high voltage electric system that is used for stepping-up or stepping- down voltages from

one level to another, connecting electric systems and switching equipment in and out of the system. The step-up transmission SSs at the generating stations use transformers to increase the voltages for transmission over long distances.

Transmission lines carry high voltage electric power. The step-down transmission SSs, thereafter, decrease voltages to sub-transmission voltage levels for distribution to consumers. The distribution system includes lines, poles, transformers and other equipment needed to deliver electricity at specific voltages.

As electrical energy cannot be stored, the generation must be matched to need. Therefore, every transmission system requires a sophisticated system of control, called grid management, to ensure balancing of power requirement, availability closely linked with demand. A pictorial representation of the transmission process is given below:



Audit findings

The audit objectives were explained to the DTL during an 'Entry Conference' held on 9 February 2012. Subsequently, audit findings were reported to the DTL and the State Government (September 2012) and discussed in an 'Exit Conference' (4 January 2013). The Exit Conference chaired by the Principal Accountant General (Audit), Delhi was attended by Director (Finance) and Director (Operations) of DTL and Additional Secretary (Power), GNCTD. The DTL/State Government replied to audit findings in December 2012. The views expressed by them have been considered and incorporated while finalising this Performance Audit Report. The audit findings are discussed in subsequent paragraphs.

7.7 Planning

7.7.1 National Electricity Plan

The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on National Electricity Plan in coordination with all concerned agencies. At the end of 10th Five Year Plan (March 2007), the transmission system in the country at 765/HVDC/400/230/220/KV stood at 1.98 lakh CKM of

transmission lines which was planned to be increased to 2.93 lakh CKM by end of 11th Five Year Plan. The National Electricity Plan assessed the total inter-regional transmission capacity at the end of 2006-07 as 14100 MW and further planned to add 23600 MW in 11th Five Year Plan bringing the total inter-regional capacity to 37700 MW.

Transmission network of DTL at the beginning of 2007-08 consisted of 24 Extra High Tension (EHT) SSs with a transmission capacity of 9811 MVA and 802.784 CKM of EHT transmission lines. The transmission network as on 31 March 2012 consisted of 31 EHT SSs with a transformation capacity of 12191 MVA and 890.534 CKM of EHT transmission lines.

Assessment of demand is an important pre-requisite for planning capacity addition. DTL being an STU was responsible for planning and development of the intra-state transmission system in Delhi. On 30 May 2007, DERC authorised the DTL to prepare a State Electricity Plan (Business Plan).

The DTL prepared its Business Plans (Capital Investment Plan) containing proposal of schemes for period 2007-11 and 2011-12 based on the projections for peak demand. The Business Plans were submitted to DERC and were executed after obtaining scheme wise approvals from DERC.

7.7.2 Transmission network and its growth

The transmission capacity of the DTL at EHT level, planned *vis-à-vis* actual achievement during 2007-08 to 2011-12 is given in **Annexure 7.2 (a) and 7.2 (b)**.

It was seen that against the targeted erection, installation and commissioning of 12 EHT SSs and laying of 255.01 CKM of EHT lines, the DTL was able to commission seven EHT SSs and 87.750 CKM EHT lines during the five year period (deficit of 42 *per cent* and 66 *per cent* respectively). The transmission capacity added/augmented was 2380 MVA against the target of 7420 MVA, achieving 32.08 *per cent* during the five year period ending 2011-12. It was also seen that deficiency in achieving the targets during 2007-08 to 2011-12 ranged between 58.46 *per cent* & 74.22 *per cent* and 33.56 *per cent* & 100 *per cent* relating to transformers and transmission lines capacity respectively.

Further, GOI and GNCTD had not communicated separately any year-wise target to the DTL. However, GOI communicated to DTL (December 2006) to have capacity of 14000 MVA by March 2012 (11th Plan). Against this, the installed capacity was less by 13 *per cent* by March 2012 (12191 MVA).

The shortfall in achieving the targets and analysis thereof are discussed in following paragraphs.

7.7.3 Project management of transmission system

A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project execution and commissioning phase.

As per guidelines of CEA and Task Force of GOI, the transmission projects should have been planned, awarded and executed in such a way that the whole process for transmission line and SS projects should be completed within 28 and 24 months respectively from the date of approval of the project by the Board of Directors (BOD).

Audit scrutiny revealed that the DTL failed to execute several transmission lines and substations during the period 2007-2012 within the prescribed time frame. Out of 16 transmission line projects (capacity: 211.368 CKM) taken up between 2007-12, Audit reviewed 10 major transmission line projects (capacity 159.868 CKM²). Of the 10 transmission line projects reviewed, only five lines were completed and commissioned (June 2012) with delays ranging between 13 months and 60 months. Remaining five incomplete lines were scheduled for completion between March 2010 and May 2011, were under execution with delays ranging between 16 and 64 months.

Similarly, out of 12 SS projects taken up by the DTL during the period 2007-12, Audit scrutinized 11 SS projects, of which only seven SSs (six SSs by March 2012 and one in May 2012) were completed and commissioned with delays ranging between 23 months and 64 months and one SS (Bawana) completed with two months delay. Remaining five substations were under execution with delays ranging between 21 and 78 months. Average time taken for completion for transmission line and SS projects was 67 months from the date of BOD approval to completion of projects.

The details of delay in completion of transmission lines and SS projects are given in **Annexure 7.3**.

Audit scrutiny revealed that main reasons for these delays were (i) delay in follow up and getting approval from DERC, (ii) delay in inviting NIT, (iii) excess time taken in evaluation of bids and process of award of turnkey projects, (iv) delay in issuance of Letter of Award (LOA), (v) delay in acquisition of land and handing over of site, (vi) delay in arranging Right of Way (ROW) permission from civil agencies/government departments, and (vii) delay in execution of work by contractors.

7.7.4 Delay in implementation of planned schemes resulting in cost overrun

In respect of four transmission line projects of Maharani Bagh to Electric Lane, Maharani Bagh to Masjid Moth, Maharani Bagh to AIIMS and Shalimar Bagh to Wazirpur (**Annexure 7.4**), DTL took two to three years time in deciding the size of Cross Link Polyethylene (XLPE) cable i.e either 1200 sqmm or 1000 sqmm to be used in these projects. The cost estimates at the time of initial Board approval for these projects, increased from ₹ 308.26 crores to ₹ 377.76 crore, resulting in cost overrun amounting to ₹ 69.50 crore. Further, in respect of two SSs, it was noticed that because of delay in handing

² Maharani Bagh to HCML(16.868 CKM), Ridge Velly to AIIMS(11.62 CKM), Maharani bagh to Trauma Centre(19.156 CKM), Shalimar Bagh to Wazirpur (8.36 CKM), Pccragarhi to Mundka (26 CKM), Pccragarhi to Wazirpur (17.2 CKM), Maharani Bagh to Masjid Moth (18.404 CKM), Bannaouli to Mehrauli(19.96 CKM), Ridge Valley to Naraina (4.3 CKM) and Maharani Bagh to Gazipur (18 CKM)

over the land and delayed preparation of scheme, there was cost overrun amounting to ₹ 39.54 crore due to increase in cost (₹ 150.53 crore) at the time of award with reference to the initial estimates approved by the Board (₹ 190.07 crore). Apart from above reasons, scrutiny also revealed delay in inviting NIT, excess time taken in evaluation of bids and award of projects.

The Management accepted the audit observation and stated (December 2012) that these projects could not be completed within prescribed time due to various reasons as pointed out by audit. They also stated that it was difficult to complete these projects in 28 months as 220 KV U/G cables were highly technical and sophisticated items, procured for the first time through international bidding and projects were taken on such a large scale, so, the time taken in finalization of tenders and execution was in order. The Management assured that efforts were being made to execute these line projects in synchronization with corresponding sub-station work.

Audit is of the view that delay in implementation of projects not only resulted in denial of reliable quality power supply to consumers but also in cost overrun of ₹ 109.04 crore (₹ 69.50 crore and ₹ 39.54 crore) due to substantial time gap in conceiving and award of projects.

7.7.5 Avoidable expenditure of ₹ 24.86 crore on use of HDPE pipes in excess of ordered quantity due to delay in execution of transmission lines.

In projects of transmission lines, cables are laid mostly by burying directly underground and to cross water bodies, railway lines, street crossing etc. HDPE pipes are used for accommodating cable.

Audit scrutiny revealed that in five lines viz. Maharani Bagh to Trauma Centre, Maharani Bagh to Electric Lane, Maharani Bagh to Masjid Moth, Peeragarhi to Wazirpur Industrial Area and Shalimar Bagh to Wazirpur, the DTL used 138.10 Km of HDPE pipes for laying 220 KV cables along with digging/erection against nine Km projected in NIT. Thereby, the DTL incurred extra expenditure of ₹ 24.86 crore on excess use of 129.10 Km HDPE pipe.

Audit scrutiny revealed that even though the BOD approval for first three transmission line projects was obtained in December 2004, the cables could not be procured before the commencement of work of landscaping, road renovation and beautification by other civic agencies during Commonwealth Games. This forced the DTL to lay HDPE pipes underground to provide for laying of cables later. In respect of other two transmission line projects, there were no recorded justification found for excess quantity of HDPE pipes used.

The Management accepted (December 2012) the above facts in respect of first three transmission lines. They also stated that in respect of other two lines, there was mention of increase in quantity due to site condition while seeking approval. The reply is not acceptable because the quantity of HDPE pipe used *vis-a-vis* given in NIT differed.

7.7.6 Blockage of funds due to non synchronization of transmission lines and SS projects

Audit observed that lack of planning resulted in non-synchronization of interconnected projects activities of execution of a substation (Loni Road, Harsh Vihar) and four transmission lines leading to blockade of funds to the extent of ₹ 287.09 crore as detailed in **Annexure-7.5**.

7.7.6.1 Establishment of 400 KV GIS sub-station at East of Loni Road (Harsh Vihar).

As per directions of DERC and Task Force of GOI, physical possession of land at site and in-principle permission of ROW from land owning agencies were required to be obtained prior to floating the tenders.

To meet urgent evacuation of power from 1500 MW Combined Cycle Gas Turbine (CCGT), Pragati III at Bawana, with feed to East of Loni through a 400 KV D/C line from Mandaula, DTL approved (March 2009) a scheme for supply, erection, testing and commissioning of 400/220/66 KV Gas Insulated Switchgear (GIS) substation at East of Loni Road at a cost of ₹ 250.24 crore under turn-key package. The scheme was approved by DERC in principle in June 2009, desiring the urgent need to expedite execution of scheme. The work was awarded (March 2010) to M/s Hyosung Corp. at a cost of ₹ 180.75 crore to be completed by September 2011.

Audit observed that out of total 80 Bigha and 15 Biswa land required for the project, the physical possession of a piece of land measuring 21 Bigha and three Biswa required for main approach road to substation was not available with DTL at the time of NIT and the same was under litigation. The Hon'ble Supreme Court quashed (January 2012) the acquisition of the said portion of land and directed to initiate fresh notifications for acquisition. Fresh notification for land acquisition was issued in March 2012. However, the physical possession of land could not be obtained by DTL till December 2012.

Thus, the expenditure of ₹ 153.16 crore incurred till March 2012, for off shore supply (₹ 74.26 crore) and on shore supply and execution (₹ 78.90 crore) was blocked besides denying reliable power to the consumers.

The Management admitted the delays and stated (December 2012) that as the matter was subjudice they could not do much. However, they assured that efforts were being made to resolve the issue and energize the sub-station. Thus, floating of NIT and ordering for equipment, despite not having clear possession of land, resulted in blockage of ₹ 153.16 crore.

7.7.6.2 220 KV 1000 sqmm U/G XLPE cable link (i) Mundka to Peera Garhi substation and (ii) Peera Garhi to Wazirpur Industrial Area substation

CEA envisaged (March 2006) the establishment of 220 KV SSs at Peera Garhi in Delhi to evacuate and utilize the power from 400/220 KV grid SS at Mundka. The Peeragarhi SS was to be connected with upcoming 220 KV SS at Wazirpur through 220 KV D/C 1000 Sqmm U/G cable transmission line.

The BOD accorded approval for schemes of laying 220 KV U/G XLPE Cable from Mundka substation to proposed Peera Garhi SS in June 2009 and from Wazirpur Industrial Area SS to Peera Garhi SS in June 2009 at an estimated cost of ₹ 177.52 crore and ₹ 141.13 crore respectively. Tenders for both the works were invited separately in October 2009. The contracts for both the works were awarded to a China based company M/s TBEA Shandong Lueng Taishan Cable Co. Ltd. (TBEA) at a contract price of ₹ 111.70 crore and ₹ 87.71 crore respectively on 28 May 2010 with scheduled completion in May 2011.

Audit scrutiny revealed that M/s TBEA was to seek RBI permission for opening project office and bank account in India. However, M/s TBEA, almost at the end of scheduled completion of the project i.e in May 2011, sought permission of RBI for setting up a project office in India. The RBI has not granted the permission as of December 2012. As a result, no payment in Indian currency for on shore supply and execution of work could be made to the contractor and the contractor stopped the work.

Audit observed that despite having sufficient time from opening of technical bid (December 2009) to LOA (May 2010), DTL failed to check whether M/s TBEA was having necessary permission from the Government to execute the work in India. Further, the NIT was deficient to the extent that it did not have any condition that the bidder should have project office and bank account in India or should be an eligible foreign company and conform to the requirements for a foreign company to work in India.

Thus, both lines remained unutilised and expenditure incurred on both the lines amounting to ₹ 102.18 crore³ remained blocked (₹ 46.29 crore on Peeragarhi to Wazirpur line and ₹ 55.89 crore on Mundka to Peeragarhi line) besides non-availability of reliable power to consumers.

The Management stated (December 2012) that M/s TBEA informed during pre award discussion that the company was having a resident office in Delhi which would be expanded after award of LOA. It was also informed that DTL has been now persuading RBI for early approval to M/s TBEA for opening of project office and Bank Account.

The Management's reply was not acceptable because as per notification of GOI (May 2000), businesses owned by Chinese firms were required to seek prior permission to establish a project office in India, which was not done in this case. Thus in relying on the information given by M/s TBEA without checking the rule position and absence of requisite permission from RBI, the amount spent on project was blocked. DTL did not have adequate safeguards to ensure the completion of works.

³ Incurred on 'off shore supply' i.e. cost of imported equipment and custom duty thereon paid to contractor in foreign currency and custom duty thereon.

7.7.6.3 220 KV 1000 sqmm U/G XLP cable link from Shalimar Bagh SS to proposed Wazirpur Industrial Area SS

The work for supply, laying, joining, testing and commissioning of 220 KV D/C 1X1000 sqmm U/G XLPE cable from 220 KV Substation Shalimar Bagh and upcoming 220 KV SS Wazirpur Industrial Area was awarded to M/s TBEA at a cost of ₹ 41.11 crore on turnkey basis on 28 May 2010, to be completed by 27 May 2011.

Audit observed that out of total nine sections of cable laying, eight sections were completed by January 2012 and one section was left out as the GIS substation on Wazirpur side was not ready even by December 2012. As such, there was no synchronization between interconnected projects for establishment of Wazirpur SS and laying of cables from Shalimar Bagh to Wazirpur for drawing power from the Wazirpur SS. As a result, the expenditure incurred on line project between Shalimar Bagh and Wazirpur amounting to ₹ 24.78 crore was blocked, besides non strengthening of power supply position.

The Management stated (December 2012) that they were trying to synchronize the schedule of sub-station and cable work and it was expected to be completed by March 2013.

7.7.6.4 220 KV underground cum overhead transmission link between Maharani Bagh SS and Gazipur SS.

For erection, testing and commissioning of 220 KV tower line between Maharani Bagh and Ghazipur a work was awarded in March 2009 at a cost of ₹ 4.47 crore with scheduled completion by March 2010. To execute the work, DTL was to obtain 'No Objection Certificate' (NOC) from Irrigation and Flood Control Department (IFCD). IFCD accorded approval (October 2010) with modification in height of towers and accordingly the awarded cost was revised to ₹ 7.90 crore. The cost was again revised in December 2010 to ₹ 8.42 crore due to erection of five additional towers. It was observed that out of 40 towers, only 32 towers were erected till March 2011 and thereafter, the work was stopped due to non-receipt of ROW permission from NOIDA authorities.

Audit observed that DERC/Task Force's suggestion to carryout detailed survey before NIT to avoid large quantity variations during execution and obtaining ROW permission before award of work, were not adhered to, resulting in revision of scheme after award of work and blockade of funds amounting to ₹ 6.97 crore (June 2012).

The Management stated (December 2012) that the irrigation department of UP Government had not issued ROW permission due to which the completion date had been extended till 31 March 2013.

7.7.7 Other deficiencies in execution of projects

Apart from time overrun, cost overrun and non-synchronization of project components, Audit also noticed other shortcoming and deficiencies resulting in loss or extra expenditure amounting to ₹ 39.56 crore to the DTL as discussed below:

7.7.7.1 Loss of ₹ 16.91 crore due to excess payment of Customs Duty on import of 220 KV GIS on account of payment of non-leviable Countervailing Duty.

The DTL awarded the contracts for the work of supply, erection, testing and commissioning of 220/33 KV GIS for various sub-stations in 2008-09 and 2009-10. In off shore supply contracts, the GIS materials were imported in India and as such customs duty was payable by the DTL.

The Custom Tariff Act for items included in the List 44 (under Rule 91) for use in High Voltage Power Project prescribes only basic custom duty @ five *per cent* to be levied and no CVD was leviable on GIS equipment for 220 KV and above. The cases have to be processed for exemption through the Administrative Ministry. However, scrutiny revealed that while getting the consignment cleared, the DTL neither processed the cases for getting exemption from Customs Department properly nor submitted its claim in proper format.

By not availing the exemption available, the DTL incurred excess expenditure of ₹ 16.91 crore on import and installation of equipment at five SSs.

The Management stated (December 2012) that the DTL requested the Custom Department with recommendation from Pr. Secretary (Power), GNCTD, for exemption of CVD. Subsequently, the matter was also taken up with the Customs Department for refund. However, it was refused. It was also informed that the DTL would seek expert advice and take up the matter again with Customs authorities.

The reply is not tenable because as per Rule 91 of the exemption to Customs Tariff Schedule, the DTL or their clearing house was required to apply in proper format for custom clearance of goods and levy of duty along with recommendation from the Government for exemption of CVD, which was not done in this case. Further, the matter was taken up only at assessing officer level and not with Appellate Authority.

7.7.7.2 Avoidable expenditure of ₹ 7.97 crore paid as consultancy charges to PGCIL.

In December 2003, CEA directed Power Grid Corporation of India Limited (PGCIL) to establish 400/220 KV GIS sub-station at Maharani Bagh for transmission of surplus power from eastern region to Delhi. Accordingly, the DTL was required to construct bays at Maharani Bagh SS.

The DTL allotted (August 2005) the work of construction of eight bays to PGCIL as turn key project for total estimated cost of ₹ 33.11 crore or as per

actual cost with consultancy fees and service charges of 13.50 *per cent*. As per agreement, the project was to be completed within 28 months from the date of releasing the advance or signing of agreement or handing over land which ever was later.

M/s PGCIL awarded the work to M/s HYOSUNG at a total cost of ₹ 47.94 crore (excluding customs duty and taxes) on 8 December 2006. The DTL paid ₹ 60.65 crore to PGCIL (September 2009) including consultancy charges of ₹ 6.27 crore (against the bill of ₹ 62.71 crore including consultancy charges of ₹ 7.97 crore). The finalization of bill was yet to be done (December 2012).

Audit observed that despite the DTL having started planning and execution of the same type of project works on turnkey basis themselves in 2005-06, the work of consultancy was allotted to PGCIL only for the reason that Maharani Bagh sub-station was being constructed and operated by PGCIL and therefore, the work of construction and erection of additional eight numbers 220 KV GIS bays should also be done by the same Company. This decision thus caused avoidable expenditure of ₹ 7.97 crore.

The Management stated (December 2012) that they shall be floating their own tenders normally in all such cases.

7.7.7.3 Unfair loading of type test charges in calculating comparative price and subsequently waiver of type test charges after signing the agreement, resulted in loss of ₹ 2.85 crore.

The contract for supply, erection, testing and commissioning of 220 KV GIS SS at Ridge Valley was awarded at ₹ 77.87 crore including custom duty on 7 May 2008 to M/s Hyosung, being L-1.

Audit scrutiny revealed that the DTL incorporated type test⁴ charges at the time of preparing the comparative statement of all the three technically qualified bidders. The DTL, however, after award of contract, waived all the type tests. This amounted to undue favour to M/s Hyosung, who would have been L-2, if type test charges were not included at the time of bid evaluation. This resulted in loss of ₹ 2.85 crore.

The Management stated (December 2012) that the type test condition was added to firms who had not supplied the equipment in India previously. They, further added that conducting of type test would have delayed the project.

The reply was not acceptable as the NIT had already provided for type tested equipment to be supplied with a provision for supplementary type test after delivery, if warranted by the DTL.

⁴ Essential test conducted on material in ISO/IEC accredited labs for quality assurance.

7.7.7.4 Avoidable extra payment of ₹ 10.04 crore due to allowing same contractor to charge different rates for same cable ordered during the same period

Scrutiny of records relating to processing and award of works for design, engineering, supply, laying, joining and commissioning of 220 KV 1000 sqmm XLPE cable on turnkey basis, revealed that there were instances where turnkey projects for installation and commissioning of same type of cable (1000 sqmm XLPE) were processed and awarded during the same period to the same contractors at different prices without making any effort for issuing composite NIT or negotiating with contractors to get best competitive rates to achieve economy of cost.

The details of opening of techno-commercial offers, price bid and issuance of LOA for the transmission line projects are given in **Annexure 7.6 (a) and 7.6 (b)**.

It was seen that in all the three contracts mentioned in **Annexure 7.6 (a)** and two contracts mentioned in **Annexure 7.6 (b)**, the price bids were opened on same day and LOA was issued on the same day to same contractor, DTL neither made any attempt to award a composite contract for total required length nor negotiated with contractor to have the benefit of economy of cost. This resulted in extra expenditure of ₹ 10.04 crore, when calculated at lowest rate quoted by the contractor (i.e. ₹ 142.16 lakh by M/s TBEA for 165 KM and ₹ 215.11 lakh by M/s L & T for 73.20 KM).

The Management stated (December 2012) that difference of rates might be because of market forces and the pricing strategy followed by bidders. The Management assured that in future no such events would take place.

7.7.7.5 Extra payment of ₹ 1.79 crore to Indian Railways on account of leasing and easement rights of railway land

For the purpose of laying underground 220 KV XLPE cables under the railway crossing near Pragati Maidan for proposed U/G transmission link from 400/220 KV GIS at Maharani Bagh and 220 KV GIS at Electric Lane, the DTL applied to Railway Authorities (Northern Region) in November 2008 for permission.

Northern Railway raised demand on 9 November 2009 of ₹ 9.31 crore consisting of ₹ 8.73 crore towards cost for lease charges and ₹ 0.58 crore for engineering, services and administrative charges for granting permission. The DTL made the payment along with formal application on 2 February 2010. A formal agreement was signed between the two on the same date. Railway Authorities gave administrative approval on 9 February 2010 for laying cable below the railway track near Pragati Maidan.

Audit scrutiny revealed that demand raised by the Railway Authorities included leasing charges for use of land and easement rights (for 10 years)

w.e.f 1 April 2009 instead of w.e.f. 2 February 2010 i.e. the date of agreement between the DTL and Northern Railway. Accordingly, the leasing charges should have been paid only from the date of agreement. Thus, the DTL paid an extra amount of ₹ 74.30 lakh to Indian Railways for 10 months, which was avoidable.

Audit noticed similar instances in the projects of cable laying under railway tracks from Maharani Bagh to Masjid Moth and Maharani Bagh to Trauma Center (AIIMS). Railways charged lease charges w.e.f. 1 April 2009 and the DTL paid the same, though the permission was accorded in January 2010 and February 2010. This resulted in extra payment of lease charges amounting to ₹ 72.26 lakh and ₹ 32.59 lakh respectively.

The DTL had not contested charging of lease rent w.e.f April 2009 by the Railway Authorities. Thus, in the above three cases, the DTL paid extra leasing charges amounting to ₹ 1.79 crore which was avoidable.

The Management accepted (December 2012) that liability for payment arises from the date of signing of agreement and not from the beginning of financial year and that the issue would be taken up with Railways for refund.

7.8 Performance of transmission system

The performance of the DTL depends mainly on availability and efficient maintenance of its EHT transmission network (lines and SSs) for supply of quality power with minimum interruptions. CEA has prescribed norms to be adhered to by the transmission utilities for SSs and lines viz. availability of transmission capacity at SS level i.e. adequacy of SSs, installation of essential equipment like bus bar protection panel, maintaining voltage profile at substations (by installing capacitor banks etc.) and thermal loading limits (TLL⁵) of EHT lines to ensure smooth operations and supply of reliable power. Further, the Committee of GOI has also prescribed techniques to be followed for maintenance of lines. To judge the overall performance of the DTL network, DERC has prescribed limit for transmission losses for each year. The adequacy of transmission capacity and associated equipment and performance of the DTL network (O & M) with regard to norms fixed are discussed in the succeeding paragraphs.

7.8.1 Transmission capacity

The DTL, in order to evacuate power from generating station and grid to meet load growth in different areas of the state, constructs lines and sub-stations at different EHT voltages level. The transmission capacity (220 KV) installed,

⁵ TLL is the maximum current that the line can carry.

available and peak demand occurred during 2007-08 to 2011-12 is given in Table 7.1:

Table 7.1: Transmission capacity (in MVA)

Year (1)	Installed (2)	Available at 70% of installed capacity (3)	Peak demand (4)	Excess/ shortage (5)=(3-4)	Percentage of Excess capacity (6)=5/3*100
2007-08	6400	4480	4075	405	9.04
2008-09	6560	4592	4036	556	12.11
2009-10	7120	4984	4502	482	9.67
2010-11	7970	5579	4809	770	13.80
2011-12	8530	5971	5031(5642 in July 2012)	940	15.74

It may be seen that installed capacity excluding 30 *per cent* redundancy was having a margin of 9.04 *per cent* to 15.74 *per cent* during the last five years.

It was noticed that peak demand in Delhi increased from 4075 MW in 2007-08 to 5642 MW in July 2012. The Electricity Power Survey Report of CEA had assessed the Peak Demand for Delhi for 2011-12 at 6092 MW and by 2016-17 at 8729 MW. Keeping in view the increasing demand and delay in implementation of capacity addition/augmentation schemes by the DTL there is margin of 5.5 *per cent* at the existing capacity. Further, at present the peak demand is being met at 98 *per cent* system availability⁶, this makes the system vulnerable to failure in meeting peak demand in eventuality of some breakdowns or increase in demand.

7.8.2 Sub-stations

7.8.2.1 Performance of Transformer

Transformers are one of the most important and cost-intensive components of electrical energy supply networks. Thus, it is important that duration of their life be prolonged with minimum cost. **Annexure-7.7** indicates status of failure of transformers between 2007-08 and 2011-12.

It was seen that out of total of 111 to 122 transformers during the five year period, one to four transformers failed every year (total 13 transformers failed during five year period). Out of these, two failed during guarantee period, two failed after completing their normal life and remaining nine transformers failed within normal working period on which, the DTL spent ₹ 4.99 crore on repairs.

The Management stated (December 2012) that failure of transformer was due to complexities in their system of connecting and serving different DISCOMS. They also stated that to reduce the failure rate, measures like periodical testing of transformers by modern techniques and erection, testing and commissioning of such high value items by manufacturers themselves were being taken.

⁶ Availability of system means transmission lines and equipment of sub-station available at a time for transmitting the power.

7.8.2.2 Voltage management

As per CEA (Grid Standards) Regulations 2010, the transmission networks are required to maintain voltages between 420 KV and 380 KV for 400 KV sub-stations and 245 and 198 KV for 220 KV sub-stations. Normally over-drawl of power from system results into falling of voltage level, which may affect the electric appliances of consumers and in off peak hours results in high voltage level which may affect equipment of the DTL. To stabilize the voltage according to peak demand and to protect the collapse of voltage and large scale power outages, there is a need to install adequate number of Capacitor Banks/Shunt line reactors which provide and maintain the necessary reactive power⁷ in the system. Further, the loading of the lines beyond stipulated capacity also results in voltage fluctuations, higher transmission losses and frequent interruptions/breakdowns. As per MTPC issued by CEA, permissible line loading cannot normally be more than the TLL. CEA prescribed the loading limit of 697 Amp. and 546 Amp. of maximum current load for 400 KV (ACSR-Bersimis conductor) and 220 KV (ACSR-Zebra conductor) respectively.

MTPC of CEA stipulates that reactive compensation should be provided as far as possible in low voltage systems with a view to meet the reactive power requirement of load close to the load points. As per general principles, the utilities should have reactive power compensation equivalent to that of active power demand to avoid reactive power demand from the grid during the low voltage conditions.

As per the study conducted by Northern Regional Power Committee (NRPC) to assess the requirement of Capacitor Banks for the year 2007-08, Delhi was required to have the reactive energy of 3750 MVAR in 2007-08. Audit, however, noticed that against this, Delhi was having installed capacity of reactive energy of 3456 MVAR resulting in shortfall of 294 MVAR in 2007-08.

The GCC time and again reiterated that Capacitor Bank capacity in Delhi was short and was required to enhance it to avoid heavy drawal of reactive power under low voltage conditions. Further, SLDC pointed out (October 2010) that the shortfall in reactive energy was on DISCOMs level and these entities were required to install Capacitor Banks at their ends. Audit, however, noticed that the position of reactive energy capacity did not improve in Delhi, as the installed capacity of Capacitor Banks in 2011-12 was 3657 MVAR (DTL-754.48 MVAR and DISCOMs-2902.52 MVAR) against the requirement of 4492 MVAR (DTL-754.48 MVAR and DISCOMs-3737.52 MVAR) assessed by NRPC resulting in shortfall of 835 MVAR (DISCOMs level).

Audit also noticed that of the total 754.48 MVAR capacity of Banks of the DTL during 2011-12, only 694.25 MVAR capacity was in working condition, thereby resulting in unavailability of 7.98 *per cent* mainly at

⁷ Reactive Power is that portion of electricity that establishes and sustains the electric and magnetic fields of alternating current equipment. It is measured in MVAR. Reactive power is created by capacitors, as these stabilize the voltage.

Patparganj, Kashmiri Gate, Mehrauli, Najafgarh, Shalimar Bagh and Pappankalan Sub-stations, which has not been rectified till March 2012 despite assurances to GCC.

Thus, the shortage in the capacity of Capacitor Banks led to over drawal of reactive power under low voltage regime which could also escalate into disturbance of associated grid.

Further, switchable shunt reactors at 400 KV SS for controlling voltages within specified limit and line reactor to enable charging of 400 KV lines without exceeding specified voltage limits needs to be provided as per above criteria. Scrutiny, however, revealed that the DTL had not installed shunt reactors and line reactors on its transmission system.

The Management stated (December 2012) that out of shortage, five MVAR capacity was plugged at Kashmiri Gate substation, capacitor bank with 20 MVAR capacity at Mehrauli substation would be revived shortly and for remaining damaged capacitor banks procurement process had been initiated. They further stated that a number of 220 KV cable lying schemes were under process or operation which would increase the capacity of the system and reduce requirement of more capacitor bank.

It was also seen that the prescribed voltage level was not maintained during the audit period. Scrutiny revealed that the maximum voltage level exceeded the prescribed limit in 34 months at 400 KV Bawana SS and 48 months at 400 KV Bannauli SS and ranged from 421 KV to 433 KV, whereas minimum level ranged between 349 KV and 379 KV in 11 months in both the SSs. Since its commissioning in December 2010, 400 KV Mundka SS, the maximum limit exceeded in 14 months out of 16 months ranging between 423 KV and 433 KV.

Further, during summer period, the minimum voltage level was below the required limit in twelve 220 KV sub-stations during June 2009 to August 2009 and 15 sub-stations during June 2010 to August 2010. It was also observed that in three 220 KV SSs viz. Subzimandi, Mehrauli and Najafgarh, the minimum voltage level was below the required limit of 198 KV and ranged between 182 and 197 KV during other than summer period also.

The Management stated (December 2012) that low voltage in the system was contributed by the northern regional grid itself.

7.8.2.3 Bus Bar Protection Panel (BBPP)

Bus bar is used as an application for interconnection of incoming and outgoing transmission lines and transformers at an electrical SS. BBPP limits the impact of bus bar faults on entire power network which prevents unnecessary tripping. It trips selectively only those breakers which are necessary to clear the bus bar fault. As per grid norms and best practices in transmission system, BBPP is to be kept in service at all 220 KV SSs to maintain system stability during grid disturbances and to provide faster clearance of faults on 220 KV buses.

The details of BBPP provided at 220 KV SSs of DTL as on March 2012 are given in **Table 7.2:**

Table 7.2: Details of BBPP provided at 220 KV SSs

Total Nos. of 220 KV substations	Nos. of SSs provided with BBPP	Nos. of SSs BBPP provided and in working condition	Nos. of SSs BBPP provided & working but more than 35 years old against CEA guidelines of 25 years life span	Nos. of SSs BBPP provided but not in working condition	Nos. of SSs not provided with BBPP
28	26	24	4 (Mehrauli, Narela, Patparganj, Najafgarh)	2 (Ghazipur not working; Gopalpur installed but not commissioned)	2 (No Bus Bar and BBPP provided at Sabzi Mandi and Lodhi Road SSs)

Running of the system on old and obsolete BBPP means the system is at risk of default at locations mentioned in the table above.

The Management stated (September 2012) that Sabzi Mandi and Lodhi Road SS do not have Bus Bar due to space constraints. However, on conversion of these SS into GIS, installation of BBPP would be considered. At four SSs where BBPP has completed useful life, the DTL is planning to augment protection scheme of old SS by providing automation system. They assured that BBPP at Gopalpur would be commissioned within six months.

7.8.3 Maintenance of Transmission System

Regular and periodic maintenance of transmission system is of utmost importance for its uninterrupted operation. Apart from scheduled patrolling of lines, following techniques are prescribed by the Committee of GoI for follow up of the best practices of transmission in the country for maintenance of lines:

- Hot Line Maintenance,
- Hot Line washing,
- Hot line Puncture Detection of Insulators,
- Preventive Maintenance by using portable earthing hot line tools,
- Vibration Measurement of the line,
- Thermo-vision scanning, and
- Pollution Measurement of the equipment.

The Hotline Technique (HLT) envisages attending to maintenance works like hot spots, tightening of nut and bolts, damages to the conductor, replacement of insulators etc of SSs and lines without switching off. This also includes thermo-vision scanning of all the lines and SSs towards preventive maintenance. Audit observed that as on March 2012, the DTL did not have any separate Hotline Maintenance Division or Sub-division and as such no hotline maintenance was being carried out by the DTL. However, only hotline washing of Disc Insulators on DTL transmission system was carried out through outside contractors.

Similarly, the Thermo-vision scanning of 400/220 KV transmission lines was being carried out through outside contractors. The thermo-vision scanning was required to be done on all overhead lines and SS equipment at voltage level of 220 KV and above to identify the hot spot at an early stage in the conductor joints, loose connections and other hardware connections. Thus, the thermovision scanning is a continuous process. Audit observed that as thermovision scanning contract was going to expire in November 2011, the DTL invited tenders in September 2011. The technical bids were opened in November 2011 and price bid of one bidder M/s Shanthala was opened in December 2011. The work was awarded to M/s Shanthala Power Ltd. in January 2012 at a cost of ₹ 28.02 lakh for a period of one year. However, subsequently in an enquiry, the DTL found that contractor had obtained the contract fraudulently. The contract, therefore, was put on stay (March 2012) by the DTL and contractor was asked not to carry out the work. Scrutiny also revealed that no fresh tenders were invited till December 2012.

Further scrutiny revealed that the other best practices of transmission, recommended by the Committee viz. hotline puncture detection of insulators, preventive maintenance by using portable earthing hotline tools, vibration measurement of the line and pollution measurement of the equipment were also not being conducted in the DTL.

The Management stated (September 2012) that hotline maintenance was normally restricted to the lines where shutdowns for maintenance was not feasible, which was not the case in the DTL lines. However, creation of hotline division would be considered. The Management further assured to consider and adopt the other best practices also in future.

7.8.4 Transmission losses

While energy is carried from the generating station to the consumers through the transmission and distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/grid and energy sent to distribution companies (DISCOMs) network. DERC has allowed 0.95 *per cent* transmission losses. The details of the losses between 2007-08 and 2011-12 are given in **Annexure-7.8**.

The transmission losses increased from 1.42 *per cent* in 2007-08 to 1.59 *per cent* in 2008-09 and declined to 1.21 *per cent* in 2011-12. Audit scrutiny revealed that though the transmission losses were less than those in other States and had a declining trend in recent years, they however, exceeded the DERC norms of 0.95 *per cent* in all the five years resulting in loss of 503 MUs valuing ₹ 10.54 crore to the DTL.

The Management stated (December 2012) that losses were on account of overall capacity of SS and length of network, loading on lines and SSs, flow of reactive power and power injection and drawal. The losses were not entirely in control of the DTL. They stated that the transmission losses were for scheduling purposes and there was no financial loss to the DTL.

Audit is of the opinion that transmission losses could have been minimized by strengthening the network with timely completion of ongoing construction lines and SS projects.

7.8.5 Operation and Maintenance of Substations and Lines

Scrutiny of records relating to O&M Department revealed that the following deficiencies affected the operation & maintenance of SSs and lines due to delay in decision making, wrong decision and improper contracting, leading to extra or avoidable expenditure of ₹ 5.35 crore to the DTL.

7.8.5.1 Loss of ₹ 1.77 crore due to non-incorporation of Latent Defect Warranty clause in purchase order

Latent Defects are inherent weaknesses which normally are not detected by examinations or routine tests but are present at the time of manufacturing due to some design lapses and are aggravated by use. Latent Defect Warranty (LDW) clause is used as part of guarantee clauses in a sale contract to recover damages from seller if defects turn up after sale. Therefore, at the time of agreement for the procurement of costlier item like transformer such clause should be incorporated.

Scrutiny of records relating to SSs and Lines revealed that due to non-incorporation of LDW clause in some of the purchase orders, the DTL failed to have transformers repaired free of cost indicating that there was no consistency in respect of incorporation of LDW clause in purchase orders.

Three transformers of 100 MVA (manufacturer M/s Crompton Greaves Limited (CGL) at Lodhi Road, Subzi Mandi and Pappankalan 220 KV SSs commissioned during February 2003 to July 2004 failed/tripped between March 2005 and November 2006. It was concluded by CGL and the DTL, on the basis of tests, that failure was due to design deficiency. The CEA had also raised doubt about design, material, manufacturing process and quality control administered by the manufacturer.

Audit scrutiny revealed that in the procurement and installation of above three transformers, no LDW clause was incorporated in the NIT and LOA. As a result, the DTL could not hold M/s CGL responsible for rectifying the above defect and getting these transformers repaired without any cost. The DTL incurred ₹ 1.77 crore on repair of the three transformers which otherwise would have been avoided.

The Management stated (December 2012) that though the latent defects are inherent weakness but these were theoretical and it was difficult to prove the defects to enforce the claim.

It is pertinent to mention that the DTL had not incorporated LDW clause in the recent purchase orders of nine transformers during 2008 to 2011 to safeguard the financial interest of the DTL.

The Management further stated in regard to above that due to LDW clause in NIT, various manufacturers of transformer had not participated, hence LDW clause was removed from NIT. The reply of the Management was not tenable, as, to safeguard the financial interest of the DTL, they needed to incorporate such penalty clause.

7.8.5.2 Avoidable extra expenditure of ₹ 2.24 crore due to delay in placing order for spares

For the purpose of overhauling of 220 KV GIS Board installed at Park Street and Kashmiri Gate SSs, M/s ABB Switzerland, being the OEM, carried out diagnosis for the first time in the month of May-June 2007 and recommended overhauling of these GIS Boards. A budgetary offer was collected from M/s ABB on 17 April 2008. The DTL took two years to decide the requirement of work and placing of order in March 2010, for Swiss Franc (SF) 21,54,447 thus delaying the overhauling of the GIS boards. Thus, due to delay in taking firm decision, the DTL also had to pay extra amount of ₹ 2.24 crore⁸.

The Management accepted (December 2012) that considerable time was taken in finalization of the order and added that this happened because work was of specialized and highly techno commercial nature.

7.8.5.3 Non procurement of Polymer type Insulators for DTL's 220 KV Lines resulted in grid disturbances and infructuous expenditure of ₹ 0.23 crore in unwarranted procurement of porcelain type Anti Fog Insulators

To arrest the tripping of transmission lines during heavy fog in winter season, the DTL prepared a proposal in December 2007 to purchase 90KN⁹ (5000 Nos.) and 160 KN (6000 Nos) Anti Fog Disc Insulator (porcelain type) for 220 KV lines. The proposal was repeatedly revised for the quantity of insulators. In the meantime in March 2008, after occurrence of grid disturbances due to fog, the CEA decided in April 2008 that in NCR area, porcelain insulators should be replaced only by polymer insulators. Northern Region Power Committee (NRPC) also recommended replacement of existing porcelain type antifog insulators with the polymer type antifog insulators on the lines passing through areas having high pollution levels. On the issue of procurement of polymer type insulators instead of porcelain type insulators as directed by CEA, the DTL pleaded (November 2008) that the procurement process had already been significantly delayed and stated that en-mass replacement of porcelain disc insulators by polymer insulators on 220 KV lines might be taken up subsequently.

The DTL placed order (July 2010) for 12443 units of 90 KN and 34800 units of 160 KN porcelain type anti fog insulators at a cost of ₹ 3.37 crore.

Scrutiny revealed that out of total quantity of 5010 units of 90 KN anti fog insulators received by the DTL, it had utilized only 312 units till March 2012 for maintenance purpose and remaining 4698 units (90 KN) were lying with the DTL resulting in infructuous expenditure of ₹ 23 lakh since these porcelain type anti fog insulators were not to be used. In light of large number of trippings that occurred in January 2010, December 2011 and again in

⁸ {SF 21,54,447 (₹ 46.65 - ₹ 38.60) = ₹ 1,73,43,298.35} + custom duty @ 28.93 per cent on account of depreciation of Indian rupee with respect to Swiss Franc from ₹ 38.60/SF to ₹ 46.65/SF.

⁹ KN means Kilo Newton which represents mechanical strength of insulators. Insulators are used to hold the conductors.

January 2012 on 220 KV transmission system, the DTL decided (February 2012) to procure 11000 numbers of polymer insulators from PGCIL. The DTL requested PGCIL to provide the material by August 2012 as the same were to be installed before winter season. However, subsequently (July 2012) the DTL decided to procure the insulator on its own. The procurement had not been made upto December 2012 resulting in non-adherence of NRPC/CEA directions and risk of grid disturbances.

The Management stated (December 2012) that it had foreclosed the purchase order for balance quantity of 7433 units of 90 KN and 34800 units of 160 KN porcelain type anti fog insulators in June 2012. However, the fact remains that non-procurement and installation of polymer type installation affected the grid operations besides incurring infructuous expenditure of ₹ 23 lakh on procurement of porcelain type insulators.

7.8.5.4 Avoidable expenditure of ₹ 1.11 crore towards consultancy charges paid to PGCIL in procurement of Polymer Insulators for DTL's 400 KV

To arrest large number of trippings during the foggy conditions in northern region, the CEA desired (April 2008) that the existing porcelain insulators on 400 KV and 220 KV transmission lines should be replaced with polymer insulators. Accordingly, the DTL decided to carry out the procurement of polymer insulators for its 400 KV transmission lines, through PGCIL. The work of erection/replacement of insulators was to be done by the DTL through separate tenders. The DTL entered into an agreement with PGCIL on 22 September 2008 for procurement of 160 KN Polymer Insulators for 400 KV lines on cost plus basis at an estimated cost of ₹ 13.58 crore. As per agreement, the DTL was to pay consultancy charges @10 per cent and service charges thereon @12.36 per cent to PGCIL. The DTL released ₹ 13.57 crore to PGCIL during August 2008 to September 2009.

The supply order was to be completed by 31 October 2009. The same was, however, completed in May 2011 and actual expenditure worked out to ₹ 11.04 crore including consultancy charges of PGCIL of ₹ 1.11 crore.

Audit observed that there was no need for the DTL to allot the work to M/s PGCIL by paying 10 per cent consultancy charges as DTL had full fledged Planning, Store and Project Divisions to get the work done on its own. Had DTL processed and procured the polymer insulators at its own, the excess expenditure of ₹ 1.11 crore towards consultancy charges paid to PGCIL and blocking of funds of ₹ 13.57 crore for more than 15 months (October 2009 to December 2010), could have been avoided.

The Management stated (December 2012) that keeping in view the economies of scale and uniform technical specification, the DTL approached PGCIL. They assured that for the future requirement of polymer Insulators, the DTL would make their own procurement. They also stated that for blocked funds with PGCIL, interest would be sought.

7.9 Grid Management

7.9.1 Maintenance of grid and performance of SLDC

Transmission and grid management are essential functions for smooth evacuation of power from generating stations and grid to the DISCOMs/consumers. Grid management ensures continuous monitoring of power balance in the interconnected power system to take care of reliability, security, economy and efficiency of the power system. Grid management in India is carried out in accordance with the standards/directions given in the Grid Code issued by CEA. The Delhi's SLDC, a constituent of Northern Regional Load Dispatch Centre (NRLDC)¹⁰, ensures integrated operation of power system in the State, viz., optimum scheduling and dispatch of electricity and real time monitoring and controlling of grid operations. The SLDC levies and collects such fees and charges from the generating companies and DISCOMs, as specified by the DERC. The GNCTD notified (November 2002) that the SLDC, Delhi, would be operated by the DTL.

7.9.2 Grid discipline by frequency management

As per Grid Code, the transmission utilities are required to maintain grid discipline for efficient functioning of grid. As per regulation, all users viz. SLDC, generation companies, DISCOMS, NRLDC should take all possible measures to ensure that the grid frequency always remains within the 49.5 – 50.2 Hz band. Grid frequency goes below or above the permitted frequency levels due to shortages in generating capacities, high demand, grid indiscipline in maintaining load generation balance, inadequate load monitoring and management.

As per Delhi Grid Code 2008, no user should cause a sudden increase in its load by more than a limit as laid down by the SLDC (scheduled load) without prior intimation and consent of the SLDC. SLDC may direct the concerned users to effect manual load shedding to curtail over drawal, when the frequency falls below the permissible limit.

To enforce the grid discipline, the NRLDC issues three types (A, B and C)¹¹ of violation messages to SLDC and SLDC forwards such messages to overdrawing DISCOMs.

¹⁰ National Grid consists of five regions viz., Northern, Eastern, Western, North Eastern and Southern Grids, each of these having a Regional Load Dispatch Centre (RLDC), an apex body to ensure integrated operation of the power system in the concerned region.

¹¹ **Message A** is issued when frequency is less than 49.7 Hz and Unscheduled Interchange (UI) quantity was more than 150 MW or more than 12 percent of the scheduled (subject to minimum of 50 MW) and there is a downward trend in frequency. **Message B** is issued below the frequency of 49.5 Hz if UI quantity is more than 150MW or above 12 percent of schedule (subject to minimum 50 MW) for more than the last 10 minutes or if UI quantity is more than 300 MW or above 24 percent of schedule (subject to minimum 50 MW) for the last 5 minutes. **Message C** is issued below 49.5 Hz when the above situation (Message B) lasts for more than 20 minutes and 15 minutes respectively or repeated instances of over drawal below frequency of 49.5 Hz in past two hours. Thus issuance of Message C is considered as serious in nature.

The details of violation messages issued by SLDC to DISCOMs during 2007-08 to 2011-12 are given in **Table 7.3:**

Table 7.3: Violation messages issued

Srl No.	Type of message	No. of violation messages issued				
		2007-08	2008-09	2009-10	2010-11	2011-12
1	A	Not available	Not available	125	45	37
2	B	Not available	24	57	13	15
3	C	Not available	3	12	6	1

The above table shows that there is declining trend in issue of violation messages in last three years of the review period.

Audit noticed that during October 2008, SLDC could not control the over-drawal under low frequency regime in Delhi grid system for which Central Electricity Regulatory Commission (CERC) levied penalty of ₹ 2.5 lakh. However, there has been improvement in maintaining grid discipline, which is visible from the declining trend of messages.

The Management corroborated the above facts in December 2012 and added that the DTL had taken matter of recovery of penalties from DISCOMs with DERC on which decision was pending.

7.9.3 Backing Down Instructions (BDI)

When the frequency exceeds the ideal limits i.e. situation where generation is more and drawal is less (at a frequency above 50 Hz), SLDC takes action by issuing Backing Down Instructions (BDI) to the generators and grid (Central Sector Generating Stations) through NRLDC to reduce the generation and supply for ensuring the integrated grid operations and for achieving maximum economy and efficiency in the operation of the power system in the State. Failure to follow BDIs may lead to over injection of power into network, causing trippings in transmission network and disturbances in grid. Failure to follow BDI would also entail penalties.

The SLDC issued BDI for 9287.51 MUs between 2007-08 and 2011-12, out of which BDIs were issued to Central Sector Generating Stations (CSGS) for 4867.21 MUs and Delhi Generating Stations for 4420.30 MUs for their compliance. Audit scrutiny revealed that SLDC had not maintained any separate record for compliance of BDIs by generating companies and also for levying penalty for the same. The SLDC was not aware whether the compliance for BDIs issued to generating companies was made. In absence of separate records for compliance of BDIs issued, the very purpose of issuing BDI was defeated.

Management stated (December 2012) that Intrastate ABT is implemented in Delhi from 1 April 2007, the payment were made only for scheduled energy. The reply was not tenable because these instructions and records were required and maintained not only for financial recovery but also for ensuring grid discipline, otherwise it leads to over injection of power into network causing tripping and disturbance in grid.

7.9.4 Grid Coordination Committee Meeting

As per Delhi Grid Code Coordination Committee (conduct of Business) Rules, 2008, Grid Coordination Committee (GCC) was required to be constituted with one member each from DTL, SLDC, power generation companies (IPGCL, PPCL, BTPS¹²), DISCOMs, NRLDC and DERC. The main function of GCC is to facilitate implementation of rules and procedures of Grid Code, analyze any major grid disturbances, sort out issues relating to power system of Delhi.

As per Grid Code, GCC meeting should be held at least once in three months. However, Committee may meet any time to discuss any issue as and when required in consultation with the Chairman, GCC.

Audit scrutiny revealed that GCC meetings were not conducted regularly on quarterly basis as required under Grid Code. In the first year, meetings were held regularly. However, after 4th meeting (6 November 2009), 5th meeting (25 October 2010) was held after a gap of about one year and thereafter, 6th (8 May 2012) and last meeting was held after a gap of 18 months.

Delays in GCC meetings led to delay in implementation of protection plan by all stakeholders, implementation of provision of hot reserve, implementation of metering procedure and delayed action on non-payment of bills by BYPL and BRPL, since October 2010. Thus, the purpose of continuous supervision/monitoring and follow up action on system related issues was defeated.

The Management stated (December 2012) that GCC meeting was convened as and when it was necessary. Apart from GCC meetings, the sub-committee meetings were convened on regular intervals. The reply is not tenable because as per provisions of grid code, GCC meeting should be convened at least once in a quarter to have regular supervision at higher level apart from convening meeting at any time according to requirement of system. Further, sub-committees are only for facilitation to GCC.

7.9.5 Unscheduled Interchange Charges

SLDC draws long term supply plan taking into account the contracted generation capacity, allocation from central sector and future committed projects and evolves net additional requirement of power in consultation with the generating companies, CSGS and DISCOMs. The gap in demand and supply position also leads to variation between actual generation or actual drawal and scheduled generation or scheduled drawal which is accounted through Unscheduled Interchange (UI) charges, worked out by SLDC for each 15 minutes time block. The levying of UI charges acts as a commercial deterrent to curb over drawals or under injection during low frequency conditions. All payments on account of UI charges are credited to a fund

¹² Indraprastha Power Generation Company Ltd., Pragti Power Company Ltd., Badarpur Thermal Power Station.

called the “Unscheduled Interchange Pool Account Fund”, which should be maintained and operated by SLDC in accordance with the provisions of the Grid Code. Further as per directions of CERC, the fund should be utilised with the prior approval of the Commission for servicing of capital costs during the initial years.

Audit scrutiny revealed that as on March 2012, there was ₹ 165 crore available in UI Pool Account Fund (accumulated from 2007-08 to 2011-12). However, no amount was utilized for any scheme for system improvement of strategic importance despite having proposals of construction of back up SLDC (₹ 10 crore), communication system (₹ 0.96 crore), cyber security mechanism (₹ 0.20 crore), upgradation of Supervisory Control and Data Acquisition (SCADA)¹³ (₹ 26.22 crore).

The Management stated (December 2012) that proposals for utilization of surplus amount in UI Pool were pending with DERC. It was further stated that as per advice of GNCTD, the DTL is proposing to DERC for usage of funds for some upcoming transmission projects.

7.9.6 Energy Accounting and Audit

Energy accounting and audit is necessary to assess and reduce the transmission losses. The transmission losses are calculated from the Meter Reading Instrument (MRI) readings obtained from generation to transmission (GT) and transmission to distribution (TD) boundary metering points. As on 31 March 2012 there were 151 interface boundary metering points between TD (136) and GT (15). The DTL has provided 0.2 class meters in all the interface boundary metering points as prescribed by CEA.

As per CEA guidelines, the interface meters for transmission utility should be located at one end of the line between the SSs of the same licensee and at both ends of the line between SSs of two different licensees. These meters should be considered as main meters for respective licensees. If the interface meters do not exist, the energy accounting meters should be installed at all incoming and outgoing feeders.

Audit scrutiny revealed that DTL had not installed interface meters at the incoming point of the energy received from Central grid instead and depends on meters installed by PGCIL for energy accounting. Further, incoming interface meters at four 220 KV SSs at South of Wazirabad, Gopalpur, Narela were to be installed by DTL itself, which have not been installed. Secondly, DTL has provided audit meters on 147 out of 230 outgoing DISCOMs feeders from DTL's 66/33 KV SSs.

The CEA norm for installation and operation of meters needs to be adhered to for calculating the transmission losses for each SS/feeder and to assess the performance of each SS/feeders in transmitting the energy.

The Management stated (December 2012) that metering procedure had been accepted by all the stake holders of Delhi as approved in GCC meeting held in May 2012. The audit meters at remaining 83 points were being installed.

¹³ The SCADA system encompasses the transfer of data between a SCADA central host computer and number of Remote Terminal Units and operator terminals. The SCADA system gathers information and transfers the information back to the central site.

7.10 Financial management

7.10.1 Financial Position

One of the major objectives of the National Electricity Policy, 2005 was ensuring financial turnaround and commercial viability of power sector.

The financial position of the DTL for the five years ending 2011-12 is given in **Annexure-7.9 and 7.10**.

Due to wide revenue gap between sale price and cost price of power, the DTL incurred losses upto 2004-05, which accumulated to ₹ 3777.59 crore, but during 2005-06 and 2006-07, the DTL earned marginal profits due to waiver of interest on power sector reform loans. From 1 April 2007, the DTL ceased to carry out purchase and supply of power and it started earning operating profit. The accumulated losses, therefore, reduced to ₹ 2552.29 crore as on March 2012.

It was seen from **Annexure-7.9** that the profit before tax of the DTL increased by 1610.03 *per cent* from ₹ 58.79 crore in 2007-08 to ₹ 1005.33 crore in 2011-12. The increase in profit in 2011-12 was mainly due to allowing additional income of ₹ 478.91 crore on account of allowing arrears for the period 2007-08 to 2010-11, higher expenditure of ₹ 51.63 crore allowed for 2011-12 by DERC in ARR¹⁴ of 2011-12, increase in other income by ₹ 28 crore and miscellaneous income by ₹ 154 crore.

As the DTL had to resort to external borrowings in absence of funding from GNCTD, the Debt Equity Ratio increased from 0.16:1 (2007-08) to 0.51:1 (2011-12) due to increase in borrowings from ₹ 584.86 crore in 2007-08 to ₹ 2029.12 crore in 2011-12. The percentage of Return on Capital employed increased from 21.15 *per cent* in 2007-08 to 29.17 *per cent* in 2011-12 due to substantial increase in Net Fixed Assets from ₹ 624.49 crore (2007-08) to ₹ 1673.47 crore (2011-12), increase in Capital Work-in-Progress from ₹ 56.74 crore (2007-08) to ₹ 1000.32 crore (2011-12) and increase in Current Assets, Loans and Advances from ₹ 326.32 crore (2007-08) to ₹ 1494.23 crore (2011-12). The Return on Capital Employed increased in 2011-12 due to increase in total return being additional income during 2011-12 as discussed above.

It can be seen from **Annexure-7.10** that Employee Cost, Depreciation, Interest and Finance Charges constituted the major elements of cost in 2011-12, which represented 24.09, 32.95 and 15.05 *per cent* of the total cost in that year respectively. On the other hand Income from operations i.e Wheeling and SLDC charges constituted the major elements of revenue in 2011-12.

The Management confirmed (January 2013) the above facts.

7.10.2 Recovery of cost of operations

It was seen from **Annexure-7.10** that the realisation (revenue) per unit increased from ₹ 0.11 in 2007-08 to ₹ 0.57 in 2011-12 and the cost per unit

¹⁴ Aggregate Revenue Requirement (ARR) means the Cost pertaining to the licensed business which are permitted, in accordance with DERC (terms & conditions for determination of transmission tariff) regulations to be covered from the tariff and charges determined by the Commission.

increased from ₹ 0.08 to ₹ 0.17 during the corresponding period. Further, the contribution (realisation minus variable cost) per unit had increased from ₹ 0.10 in 2007-08 to ₹ 0.14 in 2011-12. During the last five years ending 2011-12, the profit per unit has increased from ₹ 0.03 to ₹ 0.40 which was due to recovery of past expenditure through ARR in 2011-12 and additional income due to allowance of higher expenditure in ARR for 2011-12.

7.10.3 Tariff fixation

The financial viability of the DTL depends upon generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the DTL.

The DTL filed ARR with the DERC within the prescribed time, for control period 2007-08 to 2010-11 and 2011-12. DTL submitted (20 August 2007) ARR of ₹ 1661.08 crore for the period 2007-08 to 2010-11 and revised ARR for ₹ 1206.33 crore on 31 March 2011 for truing up. DTL filed ARR for the year 2011-12 on 6 April 2011 claiming ₹ 656.96 crore and also ₹ 1496.36 crore towards various accounts viz. power purchase cost pertaining to 2005-06 (₹ 171.6 crore), RLDC/ULDC charges (₹ 5.49 crore), DVB Arrears (₹ 1046.45 crore), Interest on short term loan pertaining to 2005-06 (₹ 3.59 crore) and 2006-07 (₹ 5.05 crore), metering at sending end (₹ 20.21 crore) and additional power purchase liability (₹ 243.97 crore). The ARR proposals made by the DTL and approved by the Commission are given in Table 7.4:

Table 7.4: Transmission Tariff

Year	DTL				DERC			
	Total capacity for transmission (MW)	Total capacity for transmission (MW) at load factor (.95)	Revenue Requirement as per revised requirement submitted in 2011 (₹ in crore)	Tariff, /kW/ Month (in ₹)	Total capacity for transmission (MW)	Total capacity for transmission (MW) at load factor (.95)	Revenue Requirement (₹ in crore)	Tariff, /kW/ Month (in ₹)
(1)	(2)	(3)	(4)	(5)= {(4)/(3)X1000}/12	(6)	(7)	(8)	(9) {(8)/(7)X1000}/12
2007-08	9811	9320	217.42	19.44	9811	9320	182.84	16.35
2008-09	9951	9453	231.8	20.43	9951	9453	162.85	14.36
2009-10	10526	10000	314.68	26.22	10526	10000	179.87	14.99
2010-11	11336	10769	442.43	34.24	11336	10769	398.24	30.82
2011-12	12191	11581	656.96	47.27	12191	11581	708.67	50.99
			1496.36 ¹⁵				478.91 ¹⁶	
			3359.65				2111.38	

It may be seen from the above that DTL claimed ₹ 3359.65 crore for the period 2007-08 to 2011-12 (including various charges pertaining to 2002-07) against which DERC had allowed ₹ 2111.38 crore resulting in deficit of ₹ 1248.27 crore (net result of excess amount ₹ 94.99 crore for ARR for the period 2007-12 and deficit of ₹ 1343.26 crore for the period 2002-07). However, the ARR for 2007-08 to 2011-12 is yet to be trued up by DERC.

¹⁵ Towards various items for the period 2002-07

¹⁶ Arrears allowed by DERC of ₹. 478.91 crore (₹ 484.95 crore towards additional amount allowed due to revision of ARR for FY 2007-08 to 2010-11 + ₹.150 crore for pension trust -₹ 156.04 crore towards additional amount of prior period liabilities).

The Management in its reply (December 2012) corroborated the facts. However, it stated that DTL has filed the petition for truing up for 2007-08 to 2010-11 and 2011-12 which is yet to be trued up by the commission.

Further, Audit noticed that DTL had given a rebate amounting to ₹ 6.81 crore (₹ 1.81 crore for 2007-08 and ₹ 2.50 crore per annum for the period 2010-11 and 2011-12) to DISCOMs on wheeling charges for timely payment of bills as per the provision of Bulk Power Transmission Agreement (BPTA) executed between DTL and DISCOMs. DERC, however, did not allow the rebate to DTL in its orders with remarks that the rebate given to DISCOMs was a commercial arrangement, and could not be passed through ARR. This resulted in extra financial burden of ₹ 6.81 crore to DTL.

Scrutiny of head wise expenses also revealed that DTL incurred ₹ 748.90 crore on Operation and Maintenance (O&M) expenses during the period 2007-08 to 2011-12, against which DERC allowed ₹ 726.47 crore which resulted in actual deficit of ₹ 22.43 crore. In this regard, it was observed by DERC that Delhi's total power requirement during the year 2006-07 was 24629 MU and 24125 MU during 2009-10, which shows stagnation in power consumption. However, the O & M expenses have increased manifold. The under realization of O & M charges resulted in meeting the excess expenditure of ₹ 22.43 crore from Company's own sources. Thus, there was a need to curtail these expenses.

The Management stated (December 2012) that appeal had been filed before Appellate Tribunal for Electricity against disallowance of rebate and under allowance of O & M expenses.

7.10.4 Undue benefit extended to private DISCOMs (BRPL and BYPL) due to non-following the provisions of agreement resulting in non- recovery of long pending dues of over ₹ 700 crore.

DTL raises monthly transmission bills for wheeling charges and other levies thereon on DISCOMs (BRPL, BYPL, NDPL, NDMC and MES) in the ratio of allocated capacities specified in the tariff orders. As per BPTA between DTL and DISCOMs, the monthly bills towards transmission charges for use of the transmission system should be raised by DTL on or before 10th day of the subsequent month in accordance with the tariff orders issued by DERC. The bills are to be paid within one month from the date of issue of transmission bill. The Payment Security Mechanism (PSM), under BPTA also provided for opening of irrevocable revolving Letter of Credit (LC) in favour of DTL. In the event of failure to make payment within due date, the DTL may utilise the LC. As per BPTA, if the LC is not maintained or the same is replenished after drawal made there from within a period of seven days, the Default Escrow arrangement shall come into operation in the manner specified in the Default Escrow Agreement to be signed separately between the parties. In case of

delay in payment of transmission charges beyond a prescribed period of one month from the date of presentation of bill, DTL may levy late payment surcharge (LPSC) @ 1.25 *per cent* per month on the unpaid amount from the due date up to the actual date of payment.

Scrutiny of records relating to raising of bills against DISCOMs and recovery thereof revealed that BRPL and BYPL were not regular in payment from October 2010 onwards. An amount of ₹ 705.70 crore (₹ 431.11 crore from BRPL and ₹ 274.59 crore from BYPL) relating to wheeling charges, incentive bills, income tax bills and late payment surcharges (LPSC) was pending for recovery as on 31 March 2012 for the period October 2010 to March 2012.

Further, scrutiny revealed that DTL failed to obtain LC from BRPL and BYPL for the period from 2007-08 to 2011-12. Audit noticed that though LC for ₹ 13.46 crore was obtained from BYPL and BRPL for 2010-11, DTL failed to obtain revolving LC for the amount due as on date. As such, against the dues of ₹ 152.58 crore as on 31 March 2011, DTL was having LC of only ₹ 13.46 crore. DTL even failed to encash the LC for ₹ 13.46 crore to recover the unpaid bills as on March 2011 as per agreement. Audit observed that since the LC was not maintained during 2007-08 to 2009-10 and 2011-12, a Default Escrow arrangement was required to be operationalised as per BPTA terms. However, no such Default Escrow agreement was signed by DTL with BRPL and BYPL.

Further, as per provisions of BPTA (Non-payment of bills and Non-establishment of LC), in the event of failure to establish/enhance LC within the stipulated period of 30 days from date of agreement, if any bill remaining unpaid for a period exceeding two months from the date of issue of the bill, DTL shall have the option to discontinue/deregulate transmission of power to such beneficiaries. Audit observed that DTL neither obtained LC nor took appropriate action as per agreed terms against the private DISCOMs to discontinue wheeling of power to terminate their agreement. Thus, DTL failed to safeguard its financial interest by not following the provisions of agreement signed with DISCOMs, thereby, extending undue benefits to private companies.

Audit noticed that on one hand DTL was dependent on borrowings for its capital projects, while on another huge amount of ₹ 705.70 crore was blocked due to non-payment¹⁷ of transmission charges by private DISCOMs viz. BRPL and BYPL.

The Management in its reply (December 2012) corroborated the fact. They, however, stated that though notice for discontinuing/deregulating transmission of power was issued but it could not be enforced because SLDC expressed that deregulation was not technically possible as 70 *per cent* of total power was allocated to defaulting DISCOMs. Further, it was stated that on pursuance by DTL and GNCTD, BYPL and BRPL agreed for disbursement of outstanding dues from November 2012 onwards and completed by March 2013 consequent

¹⁷ The reasons as submitted by DISCOMS (BYPL and BRPL) to DTL for non-payment were financial crunch on account of non-cost reflective tariff being charged from the consumers. They further intimated that even their bankers were not lending money due to uncertainty of recovery in the present tariff structures.

to their arranging financial package from IDBI. However, it was noticed that position had deteriorated. Despite pursuance by DTL and GNCTD, ₹ 754.83 crore was pending for recovery as of December 2012.

7.10.5 Collection of SLDC charges

The SLDC started its function in January 2004. SLDC levies and collects such fees and charges from generating companies and DISCOMs as allowed in ARR by DERC in accordance with the Commission's Regulations, 2007, apportioned on the basis of contracted transmission capacity. Upto 2007-08, SLDC expenses were recovered through ARR of DTL. However, as per directions of the Commission, from 2008-09 onwards, SLDC filed its separate petition with DERC for determination of SLDC charges.

Audit scrutiny revealed that there was delay ranging between three and 15 months in filing the petition by SLDC for the year 2008-09 to 2011-12 against four months as required by DERC.

DERC trued up petition for ₹ 7.06 crore against the claim of SLDC of ₹ 7.10 crore for 2007-08. Though, SLDC had filed ARR petition for truing up for 2008-09 to 2010-11 claiming ₹ 8.36 crore, ₹ 12.63 crore, ₹ 15.19 crore respectively and ARR for 2011-12 for ₹ 27.31 crore, DERC passed orders on ARR for 2008-09 for ₹ 9.04 crore which was continued till 2011-12 at the same rate without truing up for the entire period.

The Management in its reply (December 2012) corroborated the facts.

7.11 Material management

The key functions in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory. The DTL had formulated Works Procurement Policy and Procedures (WPPP) for procurement of stores and spares and services etc. However, no inventory control mechanism for efficient control over inventory was in place in the DTL.

The consumption, closing stock of stores and spares and closing stock in terms of months to consumption for the period from 2007-08 to 2011-12 are given in **Table 7.5:**

Table 7.5: Material management- consumption of stores

(₹ in crore)

Year	Consumption (per annum)	Consumption (per month)	Net closing stock (as per Balance sheet)	Closing stock in terms of months to consumption
2007-08	1.99	0.166	18.42	110.96
2008-09	2.47	0.206	13.61	66.07
2009-10	3.55	0.296	13.18	44.53
2010-11	7.99	0.666	18.48	27.75
2011-12	14.73	1.227	23.41	19.08

It may be seen from the above that the DTL had closing stock of 111 months consumption during 2007-08, though the same was reduced to 19 months in

2011-12, but still was on higher side. Audit observed that the DTL had neither made any ABC analysis, nor fixed any standard minimum level or reorder level of their material requirement.

7.11.1 Physical verification of Stores

There were two stores under the control of the DTL, one at Mehrauli for keeping stores/spares and another at Rampura for storing scrap items. Audit observed that the Physical Verification (PV) of Mehrauli Store was conducted upto 2009-10.

Scrutiny of Material Management department for the period 2007-08 to 2011-12 revealed that about ₹ 1.45 crore to ₹ 1.50 crore was blocked in non-moving, obsolete, unserviceable and scrap material. Reconciliation of above stock was not made as physical verification was not being conducted by the DTL annually. The DTL had not taken action to identify and dispose off the scrap/obsolete material.

The Management stated (December 2012) that disposal of non-moving items was under process.

7.11.2 Procurement and inventory control

Audit also noticed shortcomings in procurement and inventory control resulting in loss/extra expenditure/avoidable expenditure amounting to ₹ 6.98 crore as discussed below:

7.11.2.1 Delay in finalisation of tenders

Audit scrutiny revealed that there was significant delay in finalization of contract from the date of floating of tenders. A test check of purchase orders valuing more than ₹ 25 lakh during 2010-12 revealed that out of total 21 purchase orders where NIT was floated, 17 purchase orders were finalized in six to 19 months from the date of floating of NIT against the maximum time period of five months allowed in WPPP of DTL.

The Management accepted (December 2012) that there were delays. Further, it stated that requisite steps are being taken to rationalize and streamline functioning to reduce ordering time.

7.11.2.2 Loss of ₹ 2.54 crore due to delay in disposal of damaged transformers

The DTL has been following the practice of declaring the transformers as scrap once it was declared damaged beyond repair. Scrap Disposal Committee (SDC), thereafter, recommends/fixes reserve price of the damaged transformer based on the market price of the basic material viz. copper, aluminium etc. The scraped transformers are there after sold through e-auctioning system of Metal Scrap Trading Corporation (MSTC).

Audit scrutiny revealed that neither any separate policy was framed for disposal of stock/assets as scrap, nor did WPPP covered the issue of scrap identification and disposal. In absence of any time frame, the exercise of processing the case of treating transformer as scrap, fixing reserve price and its disposal should be completed within a reasonable period of six months.

However, these transformers were disposed with delays ranging from seven months to 80 months beyond six months.

Thus, due to delay in decision making for disposal of scrapped transformer, DTL lost ₹ 2.54 crore @ 9.40 per cent, the minimum borrowing rate of DTL during the period 2007-08 to 2011-12 on blocked funds of ₹ 7.03 crore (Annexure-7.11).

The Management stated (December 2012) that to cut procedural delays, a scrap disposal policy was under consideration and would be finalized soon.

7.11.2.3 Loss of ₹ 1.61 crore due to blockade of ₹ 12.85 crore in purchase of four Nos. of transformers lying idle in stores for 19 months.

DTL placed a purchase order for four 100 MVA 220/66-33 KV transformers with M/s EMCO Ltd on 9 April 2009 at a total cost of ₹ 25.70 crore. Delivery of four 100 MVA transformers was received by DTL in March 2010. Two transformers were issued to SSs during June and July 2010. Audit observed that balance two 100 MVA transformers were issued to SSs in November 2011 and thus, remained idle for 16 months resulting in blockade of funds of ₹ 12.85 crore and consequently loss of interest of ₹ 1.61 crore even after considering three months time period for installation of transformers after their receipt in March 2010.

The Management stated (December 2012) that change of site of transformers due to load requirement caused delay in commissioning of the transformers. The reply is not tenable because the procurement of transformer and their site of commissioning (substations) should be planned properly to avoid unnecessary blockade of funds apart from non-availability of transmission capacity at any particular site for longer period.

7.11.2.4 Undue favour to supplier in the contract for procurement of ACSR Zebra Conductor and delay in initiating purchase at risk and cost of defaulting supplier.

DTL floated tender (July 2009) for procurement of 227 Km of ACSR Zebra Conductor. As per NIT, its delivery schedule was quoted beyond the period of three months, the quoted cost was to be loaded @ 2 per cent per month for the purpose of bid evaluation. The contract was awarded to M/s Modern Instruments Private Limited on 9 December 2009 at a cost of ₹ 3.95 crore with delivery period of three months from the date of drawing approval.

It was seen in Audit that the DTL accepted the request of extension of the delivery schedule made by M/s Modern in January 2010. This was in contravention of the NIT provision which amounted to favouring M/s Modern against the L2 supplier, M/s Arawali at the time of finalization of bids and potential extra expenditure of ₹ 36.18 lakh. It was further seen that M/s Modern supplied only 56.345 Km against the order of 227 Km of ACSR Zebra conductor. However, no action was initiated by DTL against the contractor till

June 2011 when a notice to procure 170.655 KM of ASCR zebra conductor at risk and cost of M/s Modern was served to the contractor and thereafter in October 2011 the performance guarantee of ₹ 19.36 lakh was encashed.

For procurement of balance quantity of 170.655 KM of ASCR Zebra conductor on risk and cost of M/s Modern, DTL floated tenders in January 2012 but the work is yet to be awarded (December 2012). Thus M/s Modern was unduly favoured by allowing extensions of time. Neither M/s Modern supplied the material nor could DTL complete the procurement of balance quantity of material on risk and cost of M/s Modern.

The Management stated (December 2012) that party's request for extension of delivery was acceded in view of exigency and urgent work. It, further, stated that repurchase at risk and cost of party was under process. The reply is not acceptable because if it was urgency, the tender process could have been completed in short period instead of taking five to six months and thereafter also instead of granting time extensions to party, repurchase process on risk cost basis should have been initiated immediately which was yet to be done.

7.11.2.5 Non utilization of material

- (i) DTL purchased 108 Numerical Distance Protection Relays of 66/33 KV feeders from M/s Siemens Ltd. through two purchase orders in April 2010 and June 2010 at a cost of ₹ 1.80 crore. The material was received by DTL on 3 August 2010 (86 nos) and 29 September 2010 (22 Nos).

Audit observed that though these Relays of 66/33 KV feeders were received in store by September 2010, these could not be used for want of essential items viz. Reset Tripping Relays, Test Blocks, Test Plug etc. which were also to be supplied by contractor as per NIT. Scrutiny revealed that M/s Siemens refused to supply these items pleading that these were out of the scope of work given in purchase order. Thus, DTL's failure to include supply of these items in purchase order issued to M/s Siemens Ltd., despite these being within the scope of work as per NIT, had resulted in non-utilization of material worth ₹ 1.80 crore, out of which ₹ 1.36 crore (80 per cent) has been paid to the supplier.

The Management accepted (December 2012) that there was no specific mention of these items in purchase order, but the party had supplied the material. The fact remains that material worth of ₹ 1.36 crore remained unutilized for about two years apart from affecting augmentation of transmission network.

- (ii) In another case, DTL placed purchase order for procurement of 10 km of 11 KV 1000 sqmm XLPE cable with M/s Universal Cables on 9 February 2011 at a cost of ₹ 88.60 lakh. DTL received total 9.714 Km cable till June 2011.

Audit observed that cable was indented in May 2010 citing emergency requirement before the CWG. Though, the CWG events were held in October 2010, the procurement order was placed after a lapse of four

months of completion of CWG events. As such the very purpose of urgent requirement of material for the CWG was defeated. Audit noticed that no material was used by DTL till April 2012. It was further observed that 11 KV 1x 1000 sqmm size of cable was not used by the DTL in routine, as DTL maintains a few number of 11 KV lines as also evident from the fact that DTL had not procured such size of cable in the last five years. DTL had no plans to utilize the quantity of odd size cable in near future. This imprudent purchase decision of ₹ 0.86 crore resulted in loss of interest amounting to ₹ 6.74 lakh calculated @ 9.4 per cent p.a. on blocked funds upto April 2012.

The Management accepted (December 2012) that more time was taken in procedures as this item was not procured by DTL since long. Further, it was stated that this item was not only for CWG but for meeting any exigency during routine maintenance and can be gainfully utilized in future. But the fact remains that the DTL had not used this type of cable during the last five to six years and the chances of its use were remote.

7.11.2.6 Non-recovery of ₹ 0.61 crore from a contractor in respect of procurement of material at risk cost

The DTL placed a purchase order on M/s Alpha Communication Ltd on 27 November 2009 at a cost of ₹ 1.62 crore for supply of 1.1 KV Flame Retardant Low Smoke (FRLS) Control Cable of size 10x2.5 sqmm-72 Kms and 6x2.5 sqmm-88 Kms. However, since the material was not found acceptable during inspection, the same was rejected by DTL on 10 February 2010. The order was cancelled and material was procured from M/s Ajanta Electric Industries on 1 August 2011 at a cost of ₹ 2.30 crore at the risk and cost of the M/s Alpha.

The Management stated (December 2012) that bank guarantee of ₹ 7.30 lakh was encashed and requisite legal proceedings for balance recovery were under process. Fact remains that due to delay in proceedings, the DTL could not recover the balance amount of ₹ 0.61 crore from M/s Alpha till date.

7.11.2.7 Delay in procurement of Nitrogen Injection Fire Prevention- cum- Extinguishing System for installation in transformers

Audit scrutiny revealed that BOD approved (August 2009) a scheme for Supply, Installation, Erection, Testing and Commissioning of 64 Nitrogen Injection Fire Prevention cum Extinguishing System (NIFPES) for 100 MVA transformers at 220 KV SSs at an estimated cost of ₹ 13.53 crore. Tenders were invited by DTL in February 2010. The technical bids and the price bids were opened in March 2010 and September 2010 respectively. The purchase order was issued to M/s SERGI in December 2010. The work was to be completed by April 2011. Audit observed that another bidder M/s CTR filed a legal suit against M/s SERGI on the patent issue and obtained Court's order on 15 February 2010 preventing M/s SERGI from selling the fire explosions

prevention systems to DTL. Thus, even though DTL was well aware of the pending legal case, purchase order was placed with M/s SERGI and as a result NIFPES were yet to be procured and installed (December 2012) though these were necessary as per guidelines of CEA for safety.

The Management stated (December 2012) that legal suit was going on in Court between the two but there was no legal bar to restrict the DTL to place purchase order in favour of L-1 party. Further it was stated that all issues relating to this contract were being resolved. The reply was not tenable because before finalization of tenders and issue of purchase order, the DTL was aware of the situation. As such it was possible for the DTL to seek alternative options in light of the requirement of safety of equipment.

7.12 Disaster management

Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the Best Practices and CEA Regulations, 2010, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It is carried out by deploying Emergency Restoration System, DG sets, vehicles, firefighting equipment, skilled and specialized manpower.

7.12.1 Disaster Management for SLDC

As per Delhi Grid Code, the Load Shedding Procedure and Black Start Procedure were to be developed and submitted to DERC within three months. However, SLDC developed the same in January 2010 i.e, after lapse of 18 months. Delhi power system is an integral part of system revival of northern region maintained by NRLDC. In the event of total black out, Delhi has to follow the instructions and procedures of NRLDC in providing start up power to generating stations, railway traction and other essential and emergency services.

SCADA data is being preserved electronically in SLDC since 2004 in the form of magnetic tape, magnified operating disk, hard disk and CDs. However, during discussion, it was intimated by SLDC that above control data was stored in the same premises. Since the control data is not kept at a separate back up site, the SCADA data was vulnerable to damage in the event of disaster.

The Management stated (December 2012) that scheme of creation of back up SLDC was under implementation and would be completed by September 2013.

7.12.2 Disaster Management for Substations

Audit scrutiny revealed that no Disaster Management cell/centre existed at corporate office as well as SSs of DTL. However, the DTL has formed Fire and Safety Cell in October 2009 with a strength of two officers. The strength was, however, reduced to one officer by the end of 2011-12. Thus, DTL has lackluster approach to meet unforeseen contingencies.

The fire and Safety cell provided training to DTL officials to use fire fighting equipment and conducted mock drills at eight SSs out of total 31 SSs during the review period. The last mock drill was conducted in July 2011 and thereafter no such exercise was done. The DTL has not prescribed any safety manual/norms/rule book for the safety/mock drills/trainings to employees at SSs.

Further, as per CEA guidelines, substations were required to place Nitrogen Filled Fire Protection System alongwith transformers to prevent fire. Audit, however, observed that no such fire protection for its 100 MVA transformers at 220 KV SSs were provided by DTL. Also there were no guidelines for timely recharge and maintenance of fire extinguishers installed at SSs. Audit scrutiny further revealed that other safety measures such as firewall, oil pits and sand buckets, which were necessary to prevent spreading of fire, were also not provided at 15, five and five SSs respectively out of twenty eight 220 KV SSs as of March 2012.

Audit noticed that there were four different incidents of fire during the period 2007-12 which resulted in loss of ₹ 2.31 crore on account of damage of transformers and other equipment apart from risk to human life due to fire hazards. Besides the above loss, the DTL had to bear additional avoidable financial burden of ₹ 18.46 crore due to purchase of new transformers as a replacement of the damaged transformers.

The above situation further aggravated due to delay in procurement of NIFPES as already discussed in **Para No.7.11.2.7.**

The Management in its reply (July and December 2012) corroborated the above fact. It, however, stated that as per guidelines of CEA, NIFPES, fire wall and oil pits etc. in some substations had already been provided and in remaining SSs the same was under process and all needful action would be taken.

7.13 Monitoring and internal control

7.13.1 Monitoring

The field division of transmission lines and SS units compile the monthly MIS reports indicating the performance of the units as well equipment installed along with breakdown, tripping etc. These were compiled at unit head level and forwarded to the Corporate Office (Director/CMD) on monthly basis. The operational performance of the DTL's network (Lines and SSs) was also submitted to Board on quarterly basis.

SLDC prepares MIS reports (Monthly/Annual) on various parameters like maximum and minimum voltage level, backdown, availability as per Grid Code. However, Audit scrutiny revealed that Grid Coordination Committee constituted under State Grid Code to monitor grid discipline in the State did not hold regular meeting on quarterly basis during these years to have more effective supervision/monitoring of grid as already discussed in **Para No. 7.9.4.**

MIS reports of ongoing projects of Lines and SSs were prepared on monthly basis and Action Taken Report on ongoing projects was also submitted to Board.

7.13.2 Internal controls and internal audit

Internal control is a process designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes which is designed to ensure proper functioning as well as effectiveness of the internal control system and detection of errors and frauds. The existence of effective internal audit for compliance of applicable rules, apart from examining system and processes, is an important element of internal control mechanism in the DTL.

Audit, however, revealed that there were instances of inadequate control during planning, project execution, operation and maintenance, procurement of stores and spares as brought out in preceding paragraphs. Further, it was also seen that the DTL took considerable time in taking crucial decisions right through the planning, execution and procurement processes.

The DTL did not have its own Internal Audit Manual prescribing the scope, coverage, periodicity etc. of internal audit. The DTL outsourced the internal audit function to private Chartered Accountants with effect from 2007-08. The internal audit has been completed upto 2010-11. Scrutiny of internal audit reports revealed that internal audit focused mainly on the establishment matters, delay in submission of security deposit and factual status of works etc., rather than on core issues of capital projects, financial management and material management.

The Management confirmed and stated (January 2013) that DTL was in the process of formulating an Internal Audit Manual.

7.13.3 Audit Committee

The DTL constituted an Audit Committee (AC) as required under Section 292A of the Companies Act, 1956. As per the terms of reference of the AC, the AC should meet four times in a year. Thus, in a span of five years, the AC should have met for a minimum of 20 times. However, the AC met on 18 occasions. As per Section 292A (5), the internal auditors should also attend all the meetings, but out of 18 meetings, the internal auditors attended only seven meetings.

Audit observed that there were delays in submission/discussion of internal audit reports in Audit Committee meetings. As evident, the internal audit reports for second half of 2009-10 and 2010-11 were submitted and discussed in Audit Committee meeting held in March 2012.

Thus, the internal control and internal audit in the DTL needed to be strengthened.

The Management assured for future compliance and stated (January 2013) that internal audit would be strengthened to cover all important areas of functioning.

Conclusions

- ❖ *There were abnormal delays in execution of major projects due to deficient planning and project management resulting in considerable time and cost overrun to the tune of ₹ 109.40 crore and loss/extra expenditure/avoidable expenditure to the tune of ₹ 64.42 crore. The recommendations of Task Force/CEA/DERC were not followed.*
- ❖ *Lack of synchronization between inter-connected projects/activities and delayed execution of projects resulted in blockade of funds of ₹ 287.09 crore.*
- ❖ *The DTL failed to achieve the targets of capacity addition of SSs and Lines planned during performance audit period.*
- ❖ *The voltage levels could not be stabilized as flow of reactive power was not regulated due to inadequate number of Capacitor Banks/Shunt Reactors.*
- ❖ *Delays in decision making, imprudent decision and contracting affected the Operation and Maintenance of SSs and Lines which resulted in potential grid disturbances apart from extra/avoidable expenditure of ₹ 5.35 crore to the DTL.*
- ❖ *DTL had inadequate disaster preparedness. Non-installation of proper fire fighting system and other safety measures resulted in loss of ₹ 2.31 crore due to damage of transformers apart from incurring expenditure of ₹ 18.46 crore on purchase of new transformers for DTL's network.*
- ❖ *DTL has no financial safeguard to recover its dues as it did not ensure submission of LC or operation of escrow account by two DISCOMs (BRPL and BYPL) as per agreement. As a result ₹ 754.83 crore was pending for recovery as on 15 December 2012 from the two DISCOMs.*
- ❖ *Deficiencies noticed in the procurement of material and inventory control resulted in loss and extra expenditure amounting to ₹ 6.98 crore.*

Recommendations

The DTL may consider to initiate steps to ensure:

- ❖ *that the recommendation of Task Force of GOI and directions of CEA/DERC on Transmission Projects are followed.*
- ❖ *that projects of transmission lines and SS are synchronized in a way to avoid any idling of equipment and funds.*

- ❖ *installation of adequate numbers of Capacitor Bank/Shunt Reactors, Bus Bar Protection Panel to protect the Lines and SSs and to maintain system stability during grid disturbances and to reduce transmission losses.*
- ❖ *adequate safety measures and infrastructure for disaster management.*
- ❖ *curtailing expenditure and recover its dues from DISCOMS to reduce dependence on borrowed funds.*

Chapter 8

Transactions Audit Observations

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the auditee units to ascertain whether the provisions of Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

Government Companies

8.1 Indraprastha Power Generation Company Limited

8.1.1 Loss due to under insurance

Imprudent decision of not getting insurance cover on basis of current valuation of assets resulted in loss of ₹ 2.33 crore due to under insurance.

The Indraprastha Power Generation Company Limited (Company) took (September 2006) an Industrial All Risk Insurance Policy, covering all risks including fire and special perils with add on coverage of Earthquake and Terrorism, Fire Loss of Profit (FLOP) and machinery breakdown, for its Gas Turbine Power Station (GTPS) for ₹ 740.25 crore at a premium of ₹ 2.62 crore for the period from 18 September 2006 to 17 September 2007 on current replacement cost basis.

A steam turbine rotor was damaged (27 November 2006) and the Company lodged a claim for ₹ 13.60 crore with the Insurance Company. The surveyor's report (22 January 2010) assessed the loss at ₹ 4.81 crore, which was mutually agreed upon. Out of the net liability of ₹ 4.81 crore, Insurance Company paid ₹ 2.80 crore (July 2011). It was noticed that for arriving at net liability, insurance company deducted ₹ 2.33 crore, from the assessed value of loss of ₹ 7.14 crore, due to damage of the steam turbine rotor, on account of under-insurance.

Clause 9 of General Conditions of the Insurance Policy (2006-07) stipulated that if the property insured, at the time of reinstatement/ replacement/repair, following a loss or damage indemnifiable under the policy, was of greater value than the sum insured, then the insured shall be considered as being his own insurer for the difference and shall bear a rateable proportion of loss provided that if the sum insured is not less than 85 *per cent* of the value, then

this condition shall be of no purpose and effect. Audit observed that while initiating the process for taking insurance policy for the first time during 2002-03, GTPS had worked out its current replenishment cost at ₹ 3.50 crore per MW which translated into ₹ 987 crore as the replenishment cost of the 282 MW plant. However, later on, it approached the National Thermal Power Corporation (NTPC) seeking assistance for valuation of plant, who intimated that they did not possess any gas power station of the size of GTPS and advised that they should employ an expert value assessor to ascertain the exact value of the plant. But the Company neither employed a market value assessor nor considered its own worked out replacement cost of ₹ 3.50 crore per MW and took first insurance policy with plant valuation at ₹ 2.50 crore per MW for 282 MW, aggregating to ₹ 705 crore and thereafter, in the following years, insured the plant, after applying indexing only, without assessing current replacement value.

The surveyor's report assessed the 282 MW IPGCL GTPS's plant value at ₹ 913.68 crore in 2002-03, based on value of similar plant installed @ ₹ 3.24 crore per MW, and with RBI indexing, the replacement/indexed value of the plant at the inception of the present policy at ₹1081.27 crore (2006-07). Surveyor concluded, as the sum insured under the policy was ₹ 740.25 crore, which was lower than ₹ 919.08 crore i.e. 85 *per cent* of replacement value of ₹ 1081.27 crore, the under-insurance of 31.54 *per cent* (740.25/1081.27) was applicable, as per the Insurance Policy, and ₹ 2.33 crore was deducted on the same account from the computed value of loss.

Thus, the imprudent decision of the Company of not appointing a market value assessor, and thereafter, taking the insurance cover at less than the current replacement value, resulted in loss of ₹ 2.33 crore on account of under-insurance.

The Government while accepting the contents of the above para stated (February 2013) that comparison of cost of plant based on per MW is a complex factor as the cost of individual plant depends on number of factors, so considering ₹ 2.5 crore/ MW or ₹ 3.5 crore/MW is very subjective. Taking reference to NTPC, the average of ₹ 2.5 crore/ MW was taken which also matched with the calculation of capital cost derived from escalating the initial cost of the installation of the projects by five *per cent* every year on an average. Accordingly, the capital cost worked out in the year 2006 was quite rational. In the referred case of the insurance claim, Surveyor had chosen to go for higher valuation considering ₹ 3.5 crore/ MW for the interest of Insurance

Company. It further stated that if valuation based on ₹ 3.5 crore/ MW had been considered, the premium would have increased to ₹ 2.90 crore for the insured sum of ₹ 920 crore. However, the observation of audit to obtain a formal valuation report is noted and shall be taken care of in future.

The reply of the Government regarding the complexity and subjectiveness of taking cost of plant based on per MW and taking the average of ₹ 2.5 crore/ MW with escalation of five *per cent* fortifies the contention of audit that a market value assessor should have been appointed, as advised by NTPC, to have proper valuation of assets. This was not done by the Company even while taking the insurance policies of the plant in the subsequent years. The reply regarding paying an additional premium is not acceptable as the purpose of insurance cover is to provide full cover to the assets/properties against the risk of loss, irrespective of the amount of premium involved. The reply in respect of Surveyor choosing to go for higher valuation in the interest of Insurance Company is not tenable as the net payable liability of ₹ 4.81 crore (excluding ₹ 2.33 crore on account of under insurance) was agreed upon by the Company.

8.1.2 Avoidable expenditure on surplus security personnel

Avoidable expenditure of ₹ 0.41 crore due to delay in withdrawal of surplus CISF personnel after sale of Indraprastha Power Station.

The Central Industrial Security Force (CISF) is entrusted with the security of Indraprastha Power Generation Company Limited (IPGCL) and Pragati Power Company Limited (PPCL) with total authorized strength of 389 (now 292) personnel for all power plants. The GNCTD having approved (September 2009) the decommissioning of Indraprastha Power Station (IP Station), was closed down on 31st December 2009. The auction for sale of IP Station was completed through e-auction by October 2010, the acceptance letter was issued to the successful bidder by 15 November 2010 and the letter containing terms and conditions of sale by 25 January 2011.

Audit observed that after the successful bidder was issued the letter of sale, the responsibility of security of the auctioned material was no longer of the company. But it was only in a meeting held (April 2011) to review the facilities provided to CISF, it was decided that CISF personnel deployed at IP Station be repatriated and the authorized strength was reduced to 292 personnel (August 2011). Thereafter, 24 private security guards were deployed at the closed IP station for security cover.

It was also observed that though the Company was aware of the closure and sale of the IP Station as early as September 2009, it did not take timely steps for reduction and repatriation of CISF personnel posted at the closed IP Station and deployment of lower cost security (as was done later). Para 3.7 of letter issued (January 2011) by Company to the contractor envisaged that the security guards might be provided by the contractor to look after the sold goods etc., even then the CISF personnel were not repatriated till August 2011. Thus, the deployment of CISF personnel which were not required and could be replaced with other security arrangement after auction/sale of plant, led the Company to incur avoidable expenditure of ₹ 0.41¹ crore on salary and allowances of CISF staff.

The Government in its reply (January 2013) stated that though the contractor was required to provide security guards to look after the sold goods, however within the precincts of I.P. Station, there were other vital areas for which services of security personnel were still required. Even after the withdrawal of CISF personnel, the Company hired (August 2011) 17 security guards and employed 7 security guards departmentally incurring an expenditure of ₹ 2.81 lakh and ₹ 2 lakh per month respectively on them. The per capita expenditure incurred on CISF personnel was much higher than that on hired security guards due to various allowances and overheads payable to CISF personnel and therefore it was decided to replace CISF personnel with the privately hired/ departmentally employed security personnel which were more economical though not as effective as CISF personnel. It further stated that though the per capita expenditure on security came down thus ensuring economy in expenditure, the low cost security system has been neither efficient nor effective as is borne out by various incidents of intrusions that have taken place in the IP Station. Thus expenditure of ₹ 0.41 crore cannot be called infructuous since as long as the expenditure on CISF deployment was incurred, no untoward incident took place in the plant and the Company was getting value for money spent on them.

The Government's reply regarding efficiency and effectiveness of the private security is not acceptable as it is evident from the reply that the decision to replace CISF security was taken (August 2011) even though the effectiveness of the latter was in doubt considering the reduction in the per capita expenditure on security. The plea of ineffectiveness of the private security is

¹ Total expenditure incurred on the salary and allowances of CISF personnel deployed at IP Station from March-August 2011 minus total expenditure incurred (for the same period) on 24 personnel kept thereafter for security purpose.

further not tenable as private security continues to be deployed for the security of the Station till date (January 2013). The reply of the Government, thus, fortifies the contention of Audit that it was the responsibility of the Company to work out the modalities for timely repatriation of CISF personnel and to expeditiously surrender surplus manpower under Section 14(2)² of the Central Industrial Security Force Act, 1968 with effect from March 2011. However, the meeting to review the authorized strength was held only in April 2011 i.e. after a lapse of six months from the date of sale of the plant (November 2010) and the surplus strength remained on roll till August 2011, leading to the incurrence of an avoidable expenditure of ₹ 0.41 crore.

8.2 Delhi Power Company Limited

8.2.1 Loss of opportunity to earn additional interest due to imprudent financial decision

Imprudent financial decision regarding investment of funds by the Company resulted in interest loss of ₹ 0.32 crore.

The electricity distribution companies of Delhi (Discoms) BSES Rajdhani Power Limited (BRPL) and BSES Yamuna Power Limited (BYPL) requested (December 2011) their promoters Reliance Infrastructure Limited (Reliance Infra) and Delhi Power Company Limited (DPCL) for infusion of promoter funding as part of an overall financial package proposed by IDBI Bank to finance them. The Government of NCT of Delhi in pursuance of directions of Delhi Electricity Regulatory Commission (DERC) order dated 20-12-2011 approved infusion of equity by DPCL in both the Discoms to maintain shareholding pattern ratio at 51:49 (Reliance Infra : Government) and also to enable the Discoms to avail loan from IDBI Bank. Accordingly, the GNCTD issued sanction order (28 December 2011) of ₹ 500 crore towards the payment of equity contribution. Clause (xi) of the sanction order stipulated that the equity contribution amount was to be further transferred to the BSES only after receipt of equity contribution from Reliance Infra. DPCL received government share on 29 December 2011.

As there was no information regarding transfer of equity by Reliance Infra to both the Discoms, DPCL decided to invest the said funds with banks under short term deposit so that they are able to earn interest. Accordingly, DPCL invited quotations from empanelled banks for parking of funds in Flexi

² by giving three months notice in writing to the Director General, CISF requiring that the members of the Force so deputed be withdrawn and the Company shall be relieved from the charge from the date of expiration of such notice or from earlier date on which the force is so withdrawn

Deposits for a period of 7-30 days. Allahabad Bank having offered the highest rate of interest of 10.05 *per cent* for the period for 7 to 14 days, 15 to 29 days and 30 days was selected. There was no penalty clause for premature withdrawal in the quotation and bank assured that premature payment will be made as per the quoted rate i.e. 10.05 *per cent* for the period for which the funds remain with the bank. However, DPCL invested the funds of ₹ 500 crore for period of 14 days only with date of maturity as 12 January 2012. Thereafter, quotations were called again and the amount of ₹ 501.93 crore (₹ 500 crore + ₹ 1.93 crore interest) was reinvested (12 January 2012) with State Bank of India for 15 days @ 8.50 *per cent*. DPCL transferred (10 February 2012) the amount of ₹ 499.80 crore to both the Discoms (i.e. BRPL and BYPL) after the equity contribution was received by these companies from Reliance Infra.

It was observed that DPCL had to transfer the amount only after equity contribution was received by the Discoms from Reliance Infra and at the time of receiving funds from the GNCTD, there was no urgency to release the funds to BRPL and BYPL, as evident from the records of the company. Therefore, DPCL should have invested the funds for a period of 30 days @ 10.05 *per cent* in the first instance instead of first investing @ 10.05 *per cent* for 14 days and then at a comparatively lower rate for remaining 16 days, which resulted in loss of opportunity to earn additional interest of ₹ 0.32³ crore.

The Management in their reply (July 2012) accepted the facts and stated that the company received funds from the Government of NCT of Delhi on 29 December 2011 and had invited bids for a period of 7-30 days and settled for 14 days under the fluid situation prevailing at that time. Calling of bids for 7 to 30 days should not be taken to indicate their intention of parking of funds for 30 days only but obviously for the period decided by competent authority by taking into consideration all probable variables operating in the then environment. They further stated that because of urgency of releasing the equity funds to BYPL and BRPL, Government of NCT of Delhi released the funds to DPCL and it could not have blocked these funds for longer period simply with the view to earn higher interest.

The reply of the Management is not tenable as Allahabad bank had offered highest rate of interest of 10.05 *per cent* for a period upto 30 days with no penalty clause for premature withdrawal. Further, the contention of the

³ Difference between interest when ₹ 500 crore invested @10.05 *per cent* for 30 days and @ 10.05 *per cent* for 14 days and then at a comparatively lower rate for remaining 16 days (@ 8.5 *per cent* for next 15 days & @ 9.10 *per cent* for next 1 day).

Management that it could not have blocked the funds for longer period for earning interest is not acceptable, as in absence of a penalty clause, DPCL had the opportunity to invest the funds for 30 days in the first instance along with an option to withdraw the same, whenever, the need arose without any loss of interest. This was in line with the direction of the Government as the funds were to be transferred only after release of equity by Reliance Infra.

The imprudent financial decision taken by DPCL to invest huge funds at the same rate only for 14 days instead of 30 days, when there was no penalty for premature withdrawal, resulted in loss of opportunity to earn additional interest of ₹ 0.32 crore.

The matter was reported to the Government (June 2012), their reply was awaited (January 2013).

New Delhi

(DOLLY CHAKRABARTY)

Dated:

Principal Accountant General (Audit), Delhi

Countersigned

New Delhi

(VINOD RAI)

Dated:

Comptroller and Auditor General of India

Annexure-3.6.9**Pending Appeal Cases
(Referred to in paragraph 3.6.9.8)**

Sl. No.	Name of Hotelier with RC No.	Date of assessment	Luxury Tax involved (₹)	Date of appeal
For the year 2007-08				
1	Purewal Enterprises V/LT/99/S/2008	15-07-11	184931	15-05-11
2	International Travel V/LT/97/S/208	18-05-10	81896	15-07-11
3	Arihant Guest House V/LT/04/S/693	22-03-12	136811	06-06-12
4	Indian Institute of Technology	11-06-10	8045149	08-07-10
5	Pauls Court V/LT/97/C/258	14-12-07	193729	25-03-11
6	So Inn V/LT/97/S/268	20-05-11	20000	08-07-11
7	Global Inn V/LT/10/SW/1132	09-04-11	153792	08-05-12
8	Solitaire V/LT/E/04/681	31-03-11	463184	17-08-11
9	DevKunj V/LT/S/528	31-05-12	673419	08-06-12
10	Amar Inn V/LT/97/S/073	12-08-11	135890	26-09-11
11	Swrawat Inn Guest House V/LT/08/SW/984	23-03-12	96482	14-05-12
For the year 2008-2009				
1	Prince Palace V/LT/05/C/758	09-09-11	30000	18-11-11
2	Lords hotel	12-12-11	40000	11-1-12
3	RoopKalanDx V/LT/08/C/843	26-12-11	217691	08-02-12
4	Rah Royalex V/LT/03/C/637	10-02-12	49886	19-04-12

5	Vaishnaw V/LT/C/2004/658	21-03-12	438177	03-05-12
6	Ashok Continental V/LT/97/C/961	28-03-12	114375	09-05-12
7	Indian Continental V/LT/97/C/158	28-03-12	67314	09-05-12
8	New Ashok Continental V/LT/08/C/932	23-03-12	350336	01-05-12
9	Mohak Palace Delux V/LT/97/C/315	30-03-12	63777	09-05-12
10	Richa Palace V/LT/01/S/541	28-03-11	366155	01-02-12
11	Classic Palace Delux V/LT/2002/C/594	30-03-12	43319	23-05-12
12	Stay Well V/LT/06/C/762	29-03-12	40000	23-05-12
13	Rachna Tourist V/LT/04/C/706	28-03-12	79960	23-05-12
14	Great Shiva V/LT/C/2002/592	30-03-12	53298	24-05-12
15	Solitaire Rest & Hotel V/LT/E/04/681	31-03-12	58356	13-06-12
16	VasantVihar Club V/LT/97/SW/347	26-12-11	10105	13-02-12
17	Orchid V/LT/97/s/137	10-04-12	284406	30-05-12
18	M D International V/LT/99/S/467	30-3-12	2149542	31-05-12
19	Regalia Retreat V/LT/06/789	29-03-12	295455	29-05-12
20	Radha Krishna V/LT/08/C/936	30-3-12	45009	24-05-12
21	Dada International V/LT/08/C/846	30-3-12	74376	23-05-12
22	Delhi Empire V/LT/c/534	28-3-12	93520	23-5-12

23	Shell Deluxe V/LT/09/C/970	30-3-12	41441	23-5-12
24	Vaisnaw V/LT/C/2004/658	31-3-12	438177	3-5-12
25	Swrawat Inn guest V/LT/08/SW/984	27-3-12	387817	14-5-12
For the year 2009-2010				
1	Lords V/LT/09/c/960	12-12-11	70000	11-01-12
2	Sunrise	26-06-08	2456375	7-8-08
3	GautamDeluxe V/Lt/08/C/902	16-02-12	46594	12-04-12
4	R S International V/LT/08/C/862	31-03-12	162058	24-04-12
For the year 2010-11				
1	Malik Continental V/LT/09/7607	23-12-10	622688	17-2-12
2	Lords Hotels V/LT/09/C/960	12-12-11	80000	11-01-12
3	Prem Plaza	19-7-12	413280	27-9-11

Annexure – 6.1

Statement showing particulars of up to date Paid-up Capital, Loans outstanding and manpower as on 31 March 2012 in respect of Government Companies and Statutory Corporations
(Referred to in paragraph 6.3)

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital ⁵			Loans outstanding at the close of 2011-12			Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees)		
(1)	(2)	(3)	(4)	State Government	Central Government	Others	Total	State Government	Central Government	Others	Total	(7)	(8)
A. Working Government companies													
FINANCE													
1.	Deli SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited	Welfare	January 1983	33.32	11.88	-	45.20	2.49	-	-	2.49	0.06:1 (0.06:1)	170
Sector wise total				33.32	11.88	-	45.20	2.49	-	-	2.49	0.06:1 (0.06:1)	170
INFRASTRUCTURE													
2.	Deli State Industrial & Infrastructure Development Corporation Limited	Industry	February 1971	22.15	-	-	22.15	7.05	-	-	7.05	0.32:1 (0.32:1)	1690
3.	Shahjahanabad Redevelopment Corporation	Urban Development	May 2008	0.00♦	-	-	0.00♦	-	-	-	-	-	19
Sector wise total				22.15	-	-	22.15	7.05	-	-	7.05	0.32:1 (0.32:1)	1709
POWER													
4.	Deli Power Company Limited	Power	July 2001	500.05	-	-	500.05	1631.30	-	1351.18	2982.48	5.96:1 (4849.80:1)	19
5.	Deli Transco Limited	Power	July 2001	3691.00	-	260.00	3951.00	552.50	-	1382.99	1935.49	0.49:1 (0.32:1)	1749
6.	Indraprastha Power Generation Company Limited	Power	July 2001	547.54	-	140.00	687.54	102.29	-	58.34	160.63	0.23:1 (0.37:1)	1076
7.	Pragati Power Corporation Limited	Power	January 2001	1824.19	-	-	1824.19	186.67	-	1966.22	2152.89	1.18:1 (1.10:1)	260
8.	DSIDC Energy Limited	Industry	May 2011	-	-	0.01	0.01	-	-	-	-	-	1
Sector wise total				6562.78	-	400.01	6962.79	2472.76	-	4758.73	7231.49	1.04:1 (0.55:1)	3105

[♦] paid up capital is ₹ 700 only.

¹ provisional

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorporation	Paid-up Capital [§]			Loans ^{**} outstanding at the close of 2011-12			Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees)		
				State Government	Central Government	Others	Total	State Government	Central Government			Others	Total
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
SERVICES													
9.	Delhi State Civil Supplies Corporation Limited	Public Distribution	November 1980	7.00	-	-	7.00	-	-	-	-	0 (0.31:1)	734
10.	Delhi Tourism and Transportation Development Corporation Limited	Tourism	December 1975	6.28	-	-	6.28	-	-	-	-	-	874
11.	Geospatial Delhi Limited	IT	May 2008	10.76	-	-	10.76	-	-	-	-	-	17
12.	DSIIDC Maintenance Services Limited	Industry	May 2011	-	-	0.01	0.01	-	-	-	-	-	0
13.	DSIIDC Exim Limited	Industry	May 2011	-	-	0.01	0.01	-	-	-	-	-	0
14.	DSIIDC Liquor Limited	Industry	May 2011	-	-	0.01	0.01	-	-	-	-	-	0
Sector wise total				24.04	-	0.03	24.07	-	-	-	-	- (0.09:1)	1625
TRANSPORT													
15.	Delhi Transport and Infrastructure Development Corporation	Transport	August 2010	149.45	-	-	149.45	34.65	-	-	-	34.65 0.23:1	148
Sector wise total				149.45	-	-	149.45	34.65	-	-	-	34.65 0.23:1	148
Total A (All sector wise working Government companies)				6791.74	11.88	400.04	7203.66	2516.95	-	4758.73	-	7275.68 1.01:1 (0.55:1)	6757
B. Working Statutory corporations													
FINANCE													
16.	Delhi Financial Corporation	Finance	April 1967	18.05	-	8.13	26.18	40.00	-	79.36	-	119.36 4.56:1 (3.11:1)	121
Sector wise total				18.05	-	8.13	26.18	40.00	-	79.36	-	119.36 4.56:1 (3.11:1)	121
TRANSPORT													
17.	Delhi Transport Corporation	Transport	November 1971	1784.30	-	-	1784.30	11676.14	-	-	-	11676.14 6.54:1 (7.37:1)	40632
Sector wise total				1784.30	-	-	1784.30	11676.14	-	-	-	11676.14 6.54:1 (7.37:1)	40632
Total B (All sector wise working Statutory corporations)				1802.35	-	8.13	1810.48	11716.14	-	79.36	-	11795.50 6.52:1 (7.31:1)	40753
Grand Total (A + B)				8594.09	11.88	408.17	9014.14	14233.09	-	4838.09	-	19071.18 2.12:1 (1.96:1)	47510

§ Paid-up capital includes share application money.

** Loans outstanding at the close of 2011-12 represent long-term loans only.

Annexure 6.2
Statement showing Grants and Subsidy received/receivable, Guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012
(Referred to in paragraph 6.4)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
FINANCE													
1.	Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited	-	-	-	0.50	-	0.50	-	-	-	-	-	-
Sector wise total		-	-	-	0.50	-	0.50	-	-	-	-	-	-
POWER													
2	Delhi Power Company Limited	500.00	-	-	362.35	-	362.35	-	-	-	-	-	-
3	Delhi Transco Limited	-	616.36	-	-	-	-	-	-	-	-	-	-
4	Indraprastha Power Generation Company Limited	50.00	200.00	-	5.00	-	5.00	-	-	-	-	-	-
5	Pagadi Power Corporation Limited	400.00	300.00	-	-	-	-	-	-	-	-	-	-
Sector wise total		950.00	1116.36	-	367.35	-	367.35	-	-	-	-	-	-
SERVICES													
6	Delhi State Civil Supplies Corporation	-	-	-	-	16.62	16.62	-	-	-	-	-	-
7	Delhi Transport and Tourism Development Corporation	-	-	0.50	18.28	-	18.78	-	-	-	-	-	-
Sector wise total		-	-	0.50	18.28	16.62	35.40	-	-	-	-	-	-
TRANSPORT													
8	Delhi Transport and Infrastructure Development Corporation	149.40	34.65	-	-	-	-	-	-	-	-	-	-

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	Sector wise total	149.40	34.65	-	-	-	-	-	-	-	-	-	-
	Total A (All sector wise working Government companies)	1099.40	1151.01	0.50	386.13	16.62	403.25	-	-	-	-	-	-
B. Working Statutory corporations													
FINANCE													
9	Delhi Financial Corporation	-	40.00	-	-	-	-	-	-	-	-	-	-
	Sector wise total	-	40.00	-	-	-	-	-	-	-	-	-	-
TRANSPORT													
10	Delhi Transport Corporation	201.00	-	-	530.90	-	530.90	-	-	-	-	-	-
	Sector wise total	201.00	-	-	530.90	-	530.90	-	-	-	-	-	-
	Total B (All sector wise working Statutory corporations)	201.00	40.00	-	530.90	-	530.90	-	-	-	-	-	-
	Grand Total (A + B)	1300.40	1191.01	0.50	917.03	16.62	934.15	-	-	-	-	-	-

Annexure – 6.3
Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised
(Referred to in paragraphs 6.6, 6.7 and 6.8)

(Figures in column 5 (a) to (10) are ₹ in crore)														
Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed a	Return on capital employed \$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation 5 (a)	Interest 5 (b)	Depreciation 5 (c)	Net Profit/ Loss (before tax) 5 (d)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
FINANCE														
1.	Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited	2002-03	2010-11	2.75	0.38	0.21	2.16	11.37	(-) 87.29	25.92	21.93	54.15	2.54	4.69
Sector wise total				2.75	0.38	0.21	2.16	11.37	(-) 87.29	25.92	21.93	54.15	2.54	4.69
INFRASTRUCTURE														
2.	Delhi State Industrial & Infrastructure Development Corporation Limited	2010-11	2011-12	124.69	0.01	1.16	123.52	1086.20 ²	(+) 39.83	22.15	80.73	854.72	123.53	14.45
3.	Shahjahanabad Redevelopment Corporation* Corporation*	2011-12	2012-13	0.02	0.00	0.02	0.00	0.00	Nil	0.00	0.00	0.11	0	0.00
Sector wise total				124.71	0.01	1.18	123.52	1086.20	(+) 39.83	22.15	80.73	854.83	123.53	14.45
POWER														
4.	Delhi Power Company Limited	2011-12	2012-13	78.61	161.21	0.04	(-) 82.64	Nil	(-) 220.31	500.05	(-) 1506.18	1093.07	78.57	7.19
5.	Delhi Transco Limited	2011-12	2012-13	1145.41	43.87	96.21	1005.33	1279.88	Nil	3951.00	(-) 2631.92	3707.93	1049.20	28.30
6.	Indraprastha Power Generation Company Limited	2011-12	2012-13	466.85	41.80	27.91	397.14	1127.52	Nil	687.54	214.33	535.30	438.94	82.00
7.	Pragati Power Corporation Limited	2011-12	2012-13	490.89	204.07	66.56	220.26	1005.23	Nil	1824.19	552.89	5171.23	424.33	8.21
^a SRC has a paid up capital of ₹ 700 only, interest of ₹ 2315 and accumulated loss of ₹ 49793 only														

* SRC has a paid up capital of ₹ 700 only, interest of ₹ 2315 and accumulated loss of ₹ 49793 only

² Due to change in accounting practice the amount of project completed and closing balance of WIP inclusive of departmental charges are reflected in the turnover. The figures of turnover of 2008-09 onwards shown accordingly

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation 5 (a)	Net Profit/ Interest 5 (b)	Net Profit/ Loss after Depreciation 5 (c)	Net Profit/ Loss (before tax) 5 (d)	Turnover	Impact of Accounts Comments [#]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed ⁶	Return on capital employed ⁸	Percentage return on capital employed
(1)	(2)	(3)	(4)	(5 (a))	(5 (b))	(5 (c))	(5 (d))	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Sector wise total														
				2181.76	450.95	190.72	1540.09	3412.63	(-) 220.31	6962.78	(-) 3370.88	10507.53	1991.04	18.95
SERVICES														
8.	Delhi State Civil Supplies Corporation Limited	2011-12	2012-13	1.57	-	0.41	1.16	1022.93	(-) 2.04	7.00	10.68	31.28	1.16	3.71
9.	Delhi Tourism and Transportation Development Corporation Limited	2011-12	2012-13	22.38	-	1.52	20.86	920.47	(-) 0.92	6.28	0.01	1150.75	20.86	1.81
10.	Geospatial Delhi Corporation Limited	2011-12	2012-13	(-) 0.02	0.01	0.07	(-) 0.10	0.06	Nil	10.76	(-) 0.06	28.99	(-) 0.09	-
Sector wise total				23.93	0.01	2.00	21.92	1943.46	(-) 2.96	24.04	10.63	1211.02	21.93	1.81
TRANSPORT														
11.	Delhi Transport and Infrastructure Development Corporation	2010-11	2011-12	(-) 0.03	-	-	(-) 0.03	-	Nil	0.05	(-) 0.03	(-) 0.04	(-) 0.03	-
Sector wise total				(-) 0.03	-	-	(-) 0.03	-	Nil	0.05	(-) 0.03	(-) 0.04	(-) 0.03	-
Total A (All sector wise working Government companies)				2333.12	451.35	194.11	1687.66	6453.66	(-) 270.73	7034.94	(-) 3327.62	12627.49	2139.01	16.93
B. Working Statutory corporations														
FINANCE														
12.	Delhi Financial Corporation	2011-12	2012-13	12.14	9.81	0.36	1.97	21.49	(-) 0.10	26.18	0	172.26	11.78	6.84
Sector wise total				12.14	9.81	0.36	1.97	21.49	(-) 0.10	26.18	0	172.26	11.78	6.84
TRANSPORT														
13.	Delhi Transport Corporation	2010-11	2011-12	(-) 496.76	1679.32	159.05	(-) 2335.13	866.34	(-) 11.34	1583.30	(-) 12261.80	1497.77	(-) 655.81	-
Sector wise total				(-) 496.76	1679.32	159.05	(-) 2335.13	866.34	(-) 11.34	1583.30	(-) 12261.80	1497.77	(-) 655.81	-
Total B (All sector wise working Statutory corporations)				(-) 484.62	1689.13	159.41	(-) 2333.16	887.83	(-) 11.44	1609.48	(-) 12261.80	1670.03	(-) 644.03	-
Grand Total (A + B)				1848.50	2140.48	353.52	(-) 6445.50	7341.49	(-) 282.07	8644.42	(-) 15519.42	14297.52	1494.98	10.45

[#] Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit, decrease in losses (-) decrease in profit, increase in losses.

⁶ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

⁸ Return on capital employed has been worked out by adding net profit and interest charged to profit and loss account.

Annexure 6.4
Statement showing financial position of Statutory Corporations
(Referred to in paragraph No. 6.6)

(₹ in crore)

Particulars	2009-10	2010-11	2011-12 (Provisional)
1. Delhi Transport Corporation			
A. Liabilities			
Capital (including capital loan & equity capital)	1364.30	1583.30	1784.30
Borrowings: Government Others	9668.35	11846.80	13591.47
Funds* (Reserve and Surplus)	162.28	193.26	257.45
Grant-in-aid	172.11	138.37	657.77
Trade dues and other current liabilities (including provisions)	715.34	1171.01	578.45
Total	12082.38	14932.74	16869.44
B. Assets			
Gross Block	1518.41	2532.48	2509.66
Less: Depreciation	521.41	629.60	760.80
Net fixed assets	997.00	1902.88	1748.86
Capital works-in-progress (including cost of chassis)	13.86	5.94	7.98
Investments	2.09	2.16	2.37
Current assets, loans and advances	1142.75	759.96	417.35
Accumulated losses	9926.68	12261.80	14692.88
Total	12082.38	14932.74	16869.44
C. Capital employed[#]	1438.27	1497.77	1595.74
2. Delhi Financial Corporation			
Particulars	2009-10	2010-11	2011-12
A. Liabilities			
Paid-up capital	25.88	25.88	26.18
Share application money	0.18	0.24	0
Reserve fund and other reserves and surplus	45.10	45.41	46.25
Borrowings:			
(i) Bonds and debentures	-	-	-
(ii) Industrial Development Bank of India & Small	39.67	81.18	119.36

* Excluding depreciation funds/ reserve

Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

Industries Development Bank of India			
Other Liabilities and provisions	28.37	32.13	35.24
Total-A	139.20	184.84	227.03
B. Assets			
Cash and Bank balances	37.97	18.72	23.46
Investments	0.01	0.01	0.01
Loans and Advances	74.88	138.58	174.33
Net fixed assets	4.16	3.85	3.57
Other assets	22.18	23.68	25.66
Miscellaneous expenditure	-	-	-
Total-B	139.20	184.84	227.03
C. Capital employed[∞]	113.17	132.95	172.26

[∞] Capital employed represents the mean of the aggregates of the opening and closing balances of paid-up capital, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

Annexure 6.5
Statement showing working results of Statutory Corporations
(Referred to in paragraph No. 6.6)

(₹ in crore)

1	Delhi Transport Corporation			
	Particulars	2009-10	2010-11	2011-12 (Provisional)
	Operating			
	(a) Revenue	470.70	866.34	1196.05
	(b) Expenditure	1335.45	1640.64	2033.91
	(c) Surplus (+)/Deficit (-)	(-)864.75	(-)774.30	(-) 837.86
	Non-operating			
	(a) Revenue	99.93	116.64	80.65
	(b) Expenditure	1278.97	1679.15	1783.31
	(c) Surplus (+)/Deficit (-)	(-)1179.04	(-) 1562.51	(-) 1702.66
	Total			
	(a) Revenue	570.63	982.98	1276.70
	(b) Expenditure	2614.42	3319.79	3817.22
	(c) Prior period adjustments	1.06	1.68	109.45
	(d) Net Profit (+)/Loss (-)	(-)2042.73	(-)2335.13	(-) 2431.07
	Interest on capital and loans	1277.81	1679.32	1783.22
	Total return on Capital employed*	(-)764.92	(-)655.81	(-) 647.85
2	Delhi Financial Corporation			
	Particulars	2009-10	2010-11	2011-12
	1. Income			
	(a) Interest on Loans	10.52	13.32	21.49
	(b) Other income	3.63	1.36	2.03
	Total-1	14.15	14.68	23.52
	2. Expenses			
	(a) Interest on long-term loans	3.50	3.25	9.81
	(b) Other expenses	10.39	9.04	9.41
	(c) Exceptional items written back	(-) 5.03	(-) 3.10	(-) 0.83
	Total-2	8.86	9.19	18.39
	3. Profit before tax (1-2)	5.29	5.49	5.13
	4. Provision for tax	0.07	0.64	1.13
	5. Other appropriations	3.00	4.66	3.97
	6. Amount available for dividend	2.22	0.19	0.03
	7. Dividend	0.14	0	0
	8. Total return on Capital employed	8.79	8.74	11.78*
	9. Percentage of return on Capital employed	7.77	6.57	6.84

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit & loss account (less interest capitalised).

* In case of DFC, for arriving at total return on capital employed statutory provisions of ₹ 3.16 crore have also been deducted from net surplus/deficit.

Annexure 6.6
Statement showing investment made by the State Government in PSUs
where accounts are in arrears
(Referred to in paragraph No. 6.7)

(₹ in crore)

Name of PSU	Year upto which accounts finalized	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which the accounts are in arrears			
			Year	Equity	Loans	Grants/ Subsidy
Working Companies/ Corporations						
Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited	2002-03	25.92	2003-04	-	-	0.53
			2004-05	-	-	2.04
			2005-06	1.81	-	0.66
			2006-07	-	0.34	-
			2007-08	7.00	2.15	-
			2008-09	0.64	-	0.36
			2009-10	6.00	-	0.64
			2010-11	3.83	-	0.51
			2011-12	-	-	0.50
Delhi State Industrial & Infrastructure Development Corporation Limited	2010-11	22.15	2011-12	-	-	-
Delhi Transport and Infrastructure Development Corporation	2010-11	0.05	2011-12	149.40	34.65	-
DSIIDC Exim Ltd [∇]	New Co.	-	2011-12	-	-	-
DSIIDC Energy Ltd. [∇]	New Co.	-	2011-12	-	-	-
DSIIDC Liquor Ltd. [∇]	New Co.	-	2011-12	-	-	-
DSIIDC Maintenance Services Ltd. [∇]	New Co.	-	2011-12	-	-	-
Delhi Transport Corporation	2010-11	1583.30	2011-12	201.00	-	530.90
Total	-	1631.42	-	369.68	37.14	536.14

[∇] Subsidiary of DSIIDC.

Annexure- 7.1
Statement showing status of execution of Transmission Line & SS
Projects and Audit selection
(Referred to in Paragraph 7.2)

Particulars	Planned by DTL		Taken up for execution by DTL		Examined in Audit	
	Nos	Capacity	Nos	Capacity	Nos	Capacity
SSs (capacity in MVA)	12	5885	12	5065	11	4745
Augmentation of existing capacity of SS (in MVA)	12	1535	4	365	4	365
Lines (length in CKM)	20	255.01	16	211.368	10	159.868

Annexure 7.2 (a)

Statement showing Capacity additions planned, actual additions and shortfall during five years up to 2011-12
(Referred to in paragraph 7.7.2)

Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of SSs							
1	At the beginning of the year	24	24	24	26	28	—
2	Additions planned for the year	0	0	3	5	4	12
3	Added during the year	0	0	2	2	3	7
4	Total SSs at the end of the year (1+3)	24	24	26	28	31	—
5	Shortfall in additions (2-3)	0	0	1	3	1	5
B. Transformers capacity (MVA)							
1	Capacity at the beginning of the year	9811	9811	9951	10526	11336	—
2	Additions/ augmentation planned for the year	0	120	2230	1950	3120	7420
3	Capacity added during the year	0	140	575	810	855	2380
4	Capacity at the end of the year (1+3)	9811	9951	10526	11336	12191	—
5	Shortfall in additions/ augmentation (3-2) (+/-) Excess/Shortfall	0	(+) 20	(-) 1655	(-) 1140	(-) 2265	(-) 5040
6	Percentage of shortfall to planned addition	Nil	—	74.22	58.46	72.60	67.92
C. Transmission lines (CKM)							
1	At the beginning of the year	802.784	802.784	817.448	817.448	844.560	—
2	Additions planned for the year	2.0	13.910	13.800	156.100	69.200	255.01
3	Added during the year	0	14.664	0	27.112	45.974	87.750
4	Total lines at the end of the year (1+3)	802.784	817.448	817.448	844.560	890.534	—
5	Shortfall in additions (3-2) (+/-) Excess/Shortfall	(-) 2.0	(+) 0.754	(-) 13.80	(-) 128.988	(-) 23.226	(-) 167.26
6	Percentage of shortfall to planned addition	100	—	100	82.63	33.56	65.59

Annexure-7.2 (b)
Statement showing capacity additions planned, actual additions and shortfall at different voltage levels handled by DTL during five years up to 2011-12
(Referred to in paragraph 7.7.2)

Sl. No. (1)	Description (2)	2007-08 (3)	2008-09 (4)	2009-10 (5)	2010-11 (6)	2011-12 (7)
400 kV Sub-Stations (Numbers)						
1	At the beginning of the year	2	2	2	2	2
2	Additions Planned for the year	0	0	1	0	1
3	Actual Additions during the year	0	0	0	0	1
4	At the end of the year (1+3)	2	2	2	2	3
5	Shortfall in Additions (2-3)	0	0	1	0	0
400/220 kV Transformers Capacity (MVA)						
1	At the beginning of the year	2520	2520	2520	2520	2520
2	Additions/ augmentation Planned for the year	0	0	630	630	1260
3	Actual Additions during the year	0	0	0	0	315
4	Capacity at the end of the year (1+3)	2520	2520	2520	2520	2835
5	Shortfall in Additions/ Augmentation (2-3)	0	0	630	630	945
220 kV Sub-Stations (Numbers)						
1	At the beginning of the year	22	22	22	24	26
2	Additions Planned for the year	0	0	2	5	3
3	Actual Additions during the year	0	0	2	2	2
4	At the end of the year (1+3)	22	22	24	26	28
5	Shortfall in Additions (2-3)	0	0	0	3	1
220/66 kV Transformers Capacity (MVA)						
1	At the beginning of the year	4100	4100	4260	4520	5220
2	Additions/ augmentation Planned for the year	0	120	1500	320	1860
3	Actual Additions during the year	0	160	260	700	160
4	Capacity at the end of the year (1+3)	4100	4260	4520	5220	5380
5	Shortfall in Additions/ Augmentation (2-3)	0	(-) 40	1240	(-) 380	1700
220/33 kV Transformers Capacity (MVA)						
1	At the beginning of the year	2300	2300	2300	2600	2750
2	Additions/ augmentation Planned for the year	0	0	100	1000 (1100-2x50)	0
3	Actual Additions during the year	0	0	300	150	400
4	Capacity at the end of the year (1+3)	2300	2300	2600	2750	3150
5	Shortfall in Additions/ Augmentation (2-3)	0	0	(-) 200	850	(-) 400
400 kV Lines (CKM)						
1	At the beginning of the year	227.202	227.202	227.202	227.202	227.238
2	Additions Planned for the year	0	0	1.40	0	0
3	Actual Additions during the year	0	0	0	0.036	0
4	At the end of the year (1+3)	227.202	227.202	227.202	227.238	227.238
5	Shortfall in Additions (2-3)	0	0	1.40	(-) 0.036	0
220 kV Lines (CKM)						
1	At the beginning of the year	575.582	575.582	590.246	590.246	617.322
2	Additions Planned for the year	2.00	13.91	12.40	156.100	69.20
3	Actual Additions during the year	0	14.664	0	27.076	45.974
4	At the end of the year (1+3)	575.582	590.246	590.246	617.322	663.296
5	Shortfall in Additions (2-3)	2.00	(-)0.754	12.40	129.024	23.226
66/33 kV Transformers Capacity (MVA)						
1	At the beginning of the year	90	90	90	90	90
2	Additions/ augmentation Planned for the year	0	0	0	0	0
3	Actual Additions during the year	0	0	0	0	0
4	Capacity at the end of the year (1+3)	90	90	90	90	90
5	Shortfall in Additions/ Augmentation (2-3)	0	0	0	0	0
66/11 kV Transformers Capacity (MVA)						
1	At the beginning of the year	525	525	505	520	480
2	Additions/ augmentation Planned for the year	0	0	0	0	0
3	Actual Additions during the year	0	(-) 20	15	(-) 40	(-) 20
4	Capacity at the end of the year (1+3)	525	505	520	480	460
5	Shortfall in Additions/ Augmentation (2-3)	0	20	(-) 15	40	20
33/11 kV Transformers Capacity (MVA)						
1	At the beginning of the year	276	276	276	276	276
2	Additions Planned for the year	0	0	0	0	0
3	Actual Additions during the year	0	0	0	0	0
4	At the end of the year (1+3)	276	276	276	276	276
5	Shortfall in Additions (2-3)	0	0	0	0	0

Annexure –7.3
Statement showing delay in completion of Transmission Lines and SS Projects
(Referred to in Paragraph 7.7.3)

Sl. No.	Name of project	Date of sanction & approval of scheme	Date of award	Status of work as on 30 June 2012	Date of completion	Total time Taken	Schedule targeted time since sanction & approval of scheme as per CEA/Task Force	Time overrun (in months)
Transmission Lines Projects								
1	Maharani Bagh S/stn. to HCML	December 2004	August 2009	100%	May 2012	88	28	60
2	Ridge S/st. to AIIMS (Trauma Centre) S/st.	June 2006	November 2009	97%	August 2012 (expected)	73	28	45
3	Maharani Bagh to Trauma Centre	December 2004	August 2009	100%	July 2011	78	28	50
4	Shalimar Bagh to GIS Wazirpur	June 2005	May 2010	78%	March 2013 (expected)	92	28	64
5	Peeragarhi to Mundka	June 2009	May 2010	55%	March 2013 (expected)	44	28	16
6	Peeragarhi to Wazirpur	June 2009	May 2010	40%	March 2013 (expected)	44	28	16
7	Maharani Bagh to Masjid Moth	December 2004	July 2009	100%	September 2011	80	28	52
8	LILo of Bamnauli-Mehrauli overhead line at IGI	March 2007	July 2009	100%	September 2010	41	28	13
9	Ridge Valley to 220 KV Naraina S/st.	November 2005	July 2009	100%	September 2010	57	28	29
10	Maharani Bagh to Gazipur	December 2006	March 2009	80%	March 2013 (expected)	74	28	46
Substations Projects								
1	Electric Lane (HCML)	December 2004	September 2009	94%	May 2012 (commissioned but minor work left)	88	24	64
2	Harsh Vihar (400/220 KV)	March 2009	March 2010	85%	January 2013 (expected)	45	24	21

3	Wazirpur	July 2005	May 2010	37%	December 2012 (expected)	88	24	64
4	Peeragarhi	June 2009	November 2011	0% work not started	May 2013	46	24	22
5	Mundka	December 2004	May 2008	94%	December 2010 (Commissioned some minor work left)	71	24	47
6	Rohini II	September 2004	March 2010	74%	September 2012 (expected)	95	24	71
7	Lodhi Road	September 2004	June 2010	9%	April 2013 (expected)	102	24	78
8	Bawana (Extention)	March 2009	June 2009	100%	June 2011 (Charged in July 2012)	26	24	2
9	IGI Airport (DIAL)	March 2007	December 2008	100%	May 2011	49	24	25
10	Ridge Valley	September 2006	March 2008	100%	September 2010	47	24	23
11	AIIMS (Trauma Centre)	December 2004	October 2009	95%	July 2011 (inaugurated)	78	24	54
12	Masjid Moth	December 2004	September 2006	100%	May 2011	76	24	52

Annexure—7.4
Statement showing cost overrun in projects
(Referred to in Paragraph 7.7.4)

(₹ in crore)

Sl. No.	Name of project/scheme	Date of conceiving the project	Initial cost of project	Date of award	Awarded cost	Cost overrun
220 KV Transmission Lines Projects						
1	Maharani Bagh to Electric Lane	December 2004	78.83	July 2009	104.50	25.67
2	Maharani Bagh to Masjid Moth	March 2008	100.79	July 2009	114.66	13.87
3	Maharani Bagh to AIIMS (Trauma Centre)	December 2004	93.13	July 2009	117.49	24.36
4	Shalimar Bagh to Wazirpur	June 2005	35.51	May 2010	41.11	5.60
Substations Projects						
1	400 KV East of Loni	October 2008	144.91	March 2010	181.15	36.24
2	400 KV Mundka	October 2007	5.62	March 2009	8.92	3.30
			458.79		567.83	109.04

Annexure 7.5
Statement showing blockage of funds in Projects
(Referred to in Paragraph 7.7.6)

(₹ in crore)

Sl. No.	Name of project	Date of conceiving of scheme	Total Cost (₹ in crore)	Date of LOA	Scheduled Date of completion	Actual/Anticipated date of completion	Physical completion	Expenditure incurred
1	400 KV SS at Harsh Vihar	March 2009	250.24	March 2010	September 2011	January 2013 (anticipated)	Not completed	153.16
2	Line from Mundka to Peera Garhi	June 2009	177.52	May 2010	May 2011	March 2013 (anticipated)	Not completed	55.89
3	Line from Peeragarhi to Wazirpur	June 2009	141.13	May 2010	May 2011	March 2013 (anticipated)	Not completed	46.29
4	Line from Shalimar Bagh to GIS Wazirpur	June 2005	44.67 (revised 64.79)	May 2010	May 2011	March 2013 (anticipated)	Not completed	24.78
5	Line from Maharani Bagh to Gazipur	December 2006	20.74	March 2009	March 2010	March 2013 (anticipated)	Not completed	6.97
Total								287.09

Annexure 7.6 (a)
Statement showing Avoidable extra payment due to allowing different rates to
the same contractor
(Referred to in Paragraph 7.7.7.4)

Name of the contractor in all three lines : M/s TBEA

S. No.	Name of the Project (Transmission Line)	Date of NIT	Date of opening of Technical Bid	Date of opening of price bid	Date of issue of LoA	Length of Cable (KM)	Rate per Km (₹ In lakh)	Awarded cost (₹ in lakh)	Scheduled date of completion
1	Mundka to Peera Garhi	8-10-09	14-12-2009	26-2-2010	28-5-2010	78	142.16	11088.48	27-5-2011
2	Wazirpur Industrial Area to Peera Garhi	6-10-09	18-12-2009	26-2-2010	28-5-2010	60	145.22	8713.20	27-5-2011
3	Shalimar Bagh to Wazirpur Industrial Area	16-12-09	16-12-2009	26-2-2010	28-5-2010	27	152.27	4111.29	27-5-2011
	Total					165		23912.97	
4	Total cost at the lowest rate of ₹ 142.16 lakh per km for 165 Km						165 X 142.16 = ₹ 23456.40 lakh		
5	Avoidable extra expenditure (₹ 23912.97 lakh – 23456.40 lakh)						₹ 456.57 lakh		

Annexure 7.6 (b)
Statement showing Avoidable extra payment due to allowing different rates to the same
contractor
(Referred to in Paragraph 7.7.7.4)

Name of the contractor in both lines: M/s L & T Ltd.

S. No	Name of the Project (Transmission Line)	Date of NIT	Date of opening of Technical Bid	Date of opening of price bid	Date of issue of LoA	Length of Cable (KM)	Rate per Km (₹ In lakh)	Awarded cost (₹ in lakh)	Scheduled date of completion
1	Ridge valley to Nariana	7.11.08	9.1.2009	24.04.2009	6.07.2009	16.2	243.74	3948.58	5-7-2010
2	Maharani Bagh to Masjid Moth	19.11.08	12.1.2009	24.04.2009	10.07.2009	56.61	215.11	12261.27	9-7-2010
	Total					72.81		16209.85	
3	Total cost at the lowest rate of ₹ 215.11 lakh per Km for 72.81 Km						72.81 X 215.11 = ₹ 15662.16 lakh		
4	Avoidable extra expenditure (₹ 16209.85 lakh – ₹ 15662.16 lakh)						₹ 547.69 lakh		

Total Avoidable extra expenditure	Amount (₹ in Lakh)
Annexure 7.6 (a)	456.57
Annexure 7.6 (b)	547.69
Total	1004.26

Annexure 7.7
Statement showing status of failure of transformers
(Referred to in Paragraph 7.8.2.1)

Year	No. of transformers at the beginning of year	No. of transformers failed	No. of transformers failed within guarantee period	No. of transformers failed within normal working life	Expenditure on repair and maintenance (₹ in lakh)
2007-08	112	1	0	1#	—
2008-09	111	3	1	1	27.55
2009-10	113	4	0	3	431.85
2010-11	119	4	1	3@	—
2011-12	122	1	0	1	39.19
Total		13	2	9	498.59

unserviceable & scrapped

@ one unserviceable & scrapped, one repaired by manufacturer free of cost, one repairable under process

Annexure 7.8
Statement showing Transmission losses of DTL
(Referred to in Paragraph 7.8.4)

Particulars	Unit	Year				
		2007-08	2008-09	2009-10	2010-11	2011-12
Power received for transmission	MUs	22581	22313	24124	25581	25593
Net power transmitted	MUs	22260	21958	23791	25254	25284
Actual Transmission loss	MUs	321	355	333	327	309
	percentage	1.42	1.59	1.38	1.28	1.21
Target Transmission loss as per DERC norms	percentage	0.95	0.95	0.95	0.95	0.95
Transmission loss in excess of DERC norm (Valued at realization per unit w.r.t. Total income/revenue of the Company and net power transmitted)	MUs	106	143	104	84	66
	Rate of realization per unit in ₹	0.11	0.18	0.16	0.18	0.55
	₹ in crore	1.17	2.57	1.66	1.51	3.63

Annexure-7.9
Statement showing Financial position of DTL during 2007-08 to 2011-12
(Referred to in Paragraph 7.10.1)

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1	A. Liabilities					
2	Paid up Capital	3632	3632	3632	3951	3951
3	Reserves & Surplus(including Capital Grants)	7.92	10.72	23.57	45.41	-2552.29
4	Deferred Tax	-	-	-	-	-
5	Borrowings (Loan Funds)	584.86	627.48	1076.16	1326.28	2029.12
6	Current Liabilities & Provisions (CL)	413.34	479.79	611.56	661.46	477.49
6A	Non-Current Liabilities	-	-	-	-	379.38
7	Total	4638.12	4749.99	5343.29	5984.15	4284.70
8	B. Assets					
9	Gross Block ³	1056.86	1193.61	1271.78	1820.36	2370.71
10	Less: Depreciation	432.37	483.28	532.67	598.93	697.24
11	Net Fixed Assets	624.49	710.33	739.11	1221.43	1673.47
12	Capital Works-in-Progress (CWIP)	56.74	90.16	494.26	784.19	1000.32
13	Investments	14.66	11.70	6.71	5.64	5.64
14	Current Assets, Loans and Advances (CA)	326.32	368.86	585.97	567.99	1494.23
14 A	Other Non current Assets	---	---	---	---	111.04
15	Assets not in use	8.61	11.71	11.71	11.71	-
16	Accumulated losses	3607.30	3557.23	3505.53	3393.19	-
17	Total	4638.12	4749.99	5343.29	5984.15	4284.70
18	Debt equity ratio	0.16	0.17	0.30	0.34	0.51
19	Interest (net of IDC ⁴ capitalised)	66.87	50.09	52.39	58.71	43.94
20	Profit Before Tax	58.79	72.29	93.10	167.55	1005.33
21	Total Return (PBT + Interest)	125.66	122.38	145.49	226.26	1049.27
22	Capital Employed [@]	594.21	689.56	1207.78	1912.15	3596.90
23	% Return on Capital Employed	21.15	17.75	12.05	11.83	29.17

*Figures at Sl. No. 3, 6A and 14A for the year 2011-12 are due to change in Schedule VI of Companies Act.

³ Gross Block excluded assets under process for dismantling and shown as assets not in use.

[@] Capital Employed = Net Fixed Assets + CWIP + CA - CL

⁴ Interest during construction.

Annexure 7.10
Statement showing working results of DTL during 2007-08 to 2011-12
(Referred to in Paragraph 7.10.1 & 7.10.2)

(₹ in crore)

Sl.No	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1	Income					
	Revenue	226.16	326.06	336.14	454.15	1412.23
	Other income including interest/subsidy	19.11	66.01	43.24	7.96	35.13
	Total Income	245.27	392.07	379.38	462.11	1447.36
2	Transmission					
(a)	Installed capacity (MVA)	9811	9951	10526	11336	12191
(b)	Power received from generation units (MUs) ⁵	22581	22313	24124	25581	25593
(c)	Power purchased (MUs)	0	0	0	0	0
	Total	22581	22313	24124	25581	25593
(d)	Loss in transmission (MUs)	321	355	333	327	309
	Net power transmitted (b)+(c)-(d) in MUs	22260	21958	23791	25254	25284
3	Expenditure⁶					
(a)	Fixed cost					
(i)	Employees cost	44.29	53.79	80.68	64.76	70.36
(ii)	Administrative and General expenses	14.50	13.99	14.33	7.01	18.38
(iii)	Depreciation	49.29	53.03	51.88	69.27	96.21
(iv)	Interest and Finance charges (net after capitalisation)	66.87	50.09	52.39	58.71	43.94
(v)	Prior Period adjustment/Extra-ordinary items	(-)1.51	(-)0.73	19.03	4.07	6.38
(vi)	Exceptional Items	0	0	0	0	150.00
	Total fixed cost (TFC)	173.44	170.17	218.31	203.82	385.27
(b)	Variable cost					
(i)	Purchase of power (Tariff Revision)	0	135.79	46.77	67.73	25.94
(ii)	Repairs & Maintenance	13.04	13.82	21.20	23.01	30.81
	Total Variable Cost (TVC)	13.04	149.61	67.97	90.74	56.75
(c)	Total cost 3 (a) + (b)	186.48	319.78	286.28	294.56	442.02
4	Realisation (₹ per unit) (Total income/Net Power transmitted)	0.11	0.18	0.16	0.18	0.57
5	Fixed cost (₹ per unit) (TFC/Net Power +transmitted)	0.08	0.08	0.09	0.08	0.15
6	Variable cost (₹ per unit) (TVC/Net Power transmitted)	0.01	0.07	0.03	0.04	0.02
7	Total cost (₹ per unit) (5+6)	0.08	0.15	0.12	0.12	0.17
8	Contribution (₹ per unit) (4-6)	0.10	0.11	0.13	0.14	0.55
9	Profit (+)/Loss(-) (4-7) (₹ per unit)	0.03	0.03	0.04	0.06	0.40

⁵ Including private generation.⁶ ₹ 150 crore payable to Pension trust (ARR 2011-12) and included in transmission & SLDC charges also.

Annexure 7.11
Statement showing loss of revenue due to delay in disposal of scrapped transformers
(Referred to in Paragraph 7.11.2.2)

SL. No.	Type of Transmission & Nos.	Date of not in use since	Proposal sent by O&M to Store	Declared scrap or reserve price fixed since	Dt /yr of Disposal	Reserve price (₹ in lakh)	Disposal price (₹ in lakh)	Reason -able time allowed	Excess time taken (over six months)	Loss of interest (₹ in lakh)
1.	3 Nos- 50 MVA Transformer 2 Nos - 50 MVA Transformer	1 July 2002 August 2008	December 2007	17 June 2009	8 September 2009	97.74 18.75 (4 No. & 1 No.)	166.89 34.00 (4 No. & 1 No.)	6 months	80 months 7 months	82.59 (₹ 12516666 *9.4 % *80 M =₹ 78.44 lakh AND 7572000 *9.4%*7 M=4.15 lakh
2	4 No -50 MVA Transformer	1 July 2002	January 2008	27 May 2009	10 September 2009	80.27	136.79	6 months	80 months	85.72 (₹ 13679000 *9.4 % * 80 M)
3.	1 No- 20 MVA Transformer	August 2007	2007	17 August 2011	23 December 2011	35.77	34.00	6 months	46 months	12.25 (3400000*9.4 % *46 M)
4	1 No. -315 MVA Transformer	11 February 2008	-	-	August 2011	208.62	199.00	6 Months	36 Months	56.12 (19900000 *9.4 %* 36 Months)
5	1 No. -100 MVA	19 July 2010	Not yet forward to store	-	-	132.00 price communicated by O&M Division	-	6 Months	17 Months (June 2012)	17.58 (13200000*9.4 %* 17 Months)
Total							₹ 702.68 lakh (570.68 +132.00)			₹ 254.26 lakh