

Chapter V: Revenue Receipts

5.1 Trend of revenue receipts

The total revenue receipts of the Government of National Capital Territory of Delhi except grant-in-aid from Government of India for the year 2003-04 was Rs. 6,834.51 crore registering an increase of 11.06 *per cent* over the receipts for the year 2002-03. Of this, tax revenue was Rs. 5,884.17 crore and non-tax revenue was Rs. 950.34 crore. Sales tax was the main source of tax revenue constituting 75.35 *per cent* of the total revenue raised by the State Government while interest receipts constituted 91.42 *per cent* of non-tax revenue. The growth of revenue receipts during the year and corresponding figures for preceding four years are given below:-

Table 5.1: Growth of revenue receipts

(Rupees in crore)

		1999-2000	2000-01	2001-02	2002-03	2003-04
I.	Revenue raised by the State Government.					
(a)	Tax-Revenue	3,430.42	4,400.62	4,896.75	5,324.19	5,884.17
(b)	Non-Tax Revenue	397.85	548.35	876.06	829.56	950.34
	Total	3,828.27	4,948.97	5,772.81	6,153.75	6,834.51
II.	Receipts from the Government of India					
	Grants-in-aid*	446.07	495.02	480.90	512.19	514.02
III	Total receipts of the State	4,274.34	5,443.99	6,253.71	6,665.94	7,348.53
IV	Percentage of I to III	89.6	90.9	92.3	92.3	93.0

* Includes grants under proviso to Article 275(1) of the Constitution.

5.2 Cost of collection of tax revenue

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 2001-02, 2002-03 and 2003-04 along with the relevant all India average percentage of expenditure are given below:

Table 5.2: Collection of tax-revenue

(Rupees in crore)

Head of Revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2002-03
Sales Tax	2001-02	3704	22.97	0.6	1.18
	2002-03	3883	22.04	0.6	
	2003-04	4434	22.27	0.5	
State Excise	2001-02	606	3.87	0.6	2.92
	2002-03	726	3.74	0.5	
	2003-04	708	*13.27	1.9	
Stamp duty and Registration fees	2001-02	283	8.95	3.2	3.46
	2002-03	437	4.02	0.9	
	2003-04	453	**2.86	0.6	
Taxes on Motor Vehicles	2001-02	167	10.54	6.3	2.86
	2002-03	160	11.28	7.1	
	2003-04	175	9.13	5.2	

Note: The amount of gross collection for the year 2003-04 intimated by the office of the Commissioner of Sales Tax, State Excise, Entertainment and Luxury Tax and the Divisional Commissioner, Delhi are at variance with the figures depicted in the Finance Accounts and need reconciliation.

* *Rs.13.27 crore includes Rs.8.57 crore paid to Sales Tax Department in compliance with Delhi High Court order.*

** *The reasons for fluctuation in expenditure on collection in respect of Stamp duty and Registration fees was awaited as of February, 2005.*

It is observed that in respect of taxes on Motor Vehicles, the percentage of expenditure to gross collection was higher than the all India percentage of cost of collection. The department stated in December 2004 that efforts were made to reduce the cost of collection which had consequently decreased from 7.1 per cent in 2002-03 to 5.2 per cent in 2003-04. Efforts were continuing to further reduce the cost.

5.3 Sales tax demands raised and pending

Details of demands raised during the last three years but pending at the end of each year as furnished by the department are given below:

Table 5.3: Sales tax demands raised and pending

(Rupees in crore)

	2001-02	2002-03	2003-04
Demand awaiting recovery at the beginning of the year	6,616.58	*6,987.15	8,327.83
Demands pending recovery at the end of the year	6,999.37	8,327.83	9,364.77

The pendency of demands and tax recoverable have increased steadily from Rs. 6,987.15 crore in 2002-03 to Rs. 9,364.77 crore in 2003-04.

5.4 Analysis of collection

The break up of the total sales tax collection at the pre-assessment stage and after regular assessment during the year 2003-04 and the corresponding figures for the preceding two years as furnished by the department are given below:

Table 5.4: Analysis of collection

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Amount refunded	Total collection	Percentage of column 2 to 5
1	2	3	4	5	6
2001-02	3,626.47	79.31	1.77	3,704.01	97.91
2002-03	3,805.97	61.00	0.88	3,866.09	98.44
2003-04	4,362.48	71.39	2.89	4,430.98	97.42

The collection of revenue at pre-assessment stage ranged between 97.42 per cent to 98.44 per cent of total collection during the last three years.

* Departmental figure of closing balance of 2001-02 and opening balance of 2002-03 do not tally.

5.5 Results of audit

Test check of the records of sales tax, motor vehicles tax, State excise and other revenue earning departments conducted during the year 2003-04 revealed under assessment/short levy/loss of revenue etc. amounting to Rs. 853.70 crore in 1,366 cases. During the course of the year 2003-04, the concerned departments accepted under-assessment etc of Rs. 4.28 crore involved in 50 cases which were pointed out in 2003-04 and in earlier years. Of these, the departments recovered Rs. 57.39 lakh in 15 cases and raised additional demands of Rs. 3.71 crore.

This report contains 20 paragraphs and three reviews relating to under assessment/short-levy/non-levy etc. involving Rs. 410.05 crore of which Rs. 121.72 crore has been accepted by the government/ department.

Sales Tax

5.6 Review on collection of arrears of sales tax

Highlights

Arrears in collection of sales tax almost doubled from Rs. 4,718.04 crore in 1999-2000 to Rs. 9,364.77 crore in 2003-04. Recovery of sales tax as a proportion of demands raised declined from 0.92 to 0.71 per cent which was indicative of inadequate or ineffective collection efforts.

(Paragraph 5.6.4)

There were 56,598 cases pending on account of appeals and revisions with various authorities of which 56,065 i.e. 99 per cent involving revenue of Rs.1,608.75 crore were pending with various departmental authorities.

(Paragraph 5.6.5)

Failure of the Recovery Branch to diligently and effectively follow up recovery processes in accordance with the provisions of the Delhi Sales Tax Act and the Delhi Land Reforms Act coupled with failure to insist upon furnishing of full details of the business and property of the dealers at the time of registration resulted in non-recovery of Rs.136.43 crore from 81 dealers.

(Paragraph 5.6.10)

Failure of various Sales Tax Officers to initiate serious recovery action against defaulting dealers resulted in non-recovery of Rs. 14.29 crore from 90 dealers. As the dealers were now either non-functioning or non-traceable, the chances of recovery of these Government dues were remote.

(Paragraph 5.6.11(i))

Maintenance of records was grossly incomplete and ad hoc which further hindered effective recovery action. The department lacked any system of internal control or monitoring.

(Paragraphs 5.6.12 & 5.6.13)

Cash receipts totalling Rs. 5.72 crore over a period of four years was handled in blatant disregard of the extant financial rules governing handling of government cash and in violation of all norms of financial prudence and propriety leaving open the possibility of misappropriation of Government funds.

(Paragraph 5.6.14)

5.6.1 Introduction

Sales tax constitutes the major source of revenue of the Government of NCT of Delhi constituting over 72 per cent of its total revenue receipts during 2002-03. Efficient collection of sales tax is therefore critical from the point of view of resource mobilization necessary for undertaking developmental activities in the NCT of Delhi. Collection of sales tax is governed by the provisions of the Delhi Sales Tax Act, 1975 (Act) read with the rules framed thereunder. The Act requires that every dealer should submit to the assessing authority a monthly/quarterly return of turnover along with proof of payment of tax into the government treasury. After the assessment is made, the notice for tax due is issued to the assessee for payment within the period prescribed therein. If the dues are not paid by the dealer within the time specified in the demand notice or within the extended period, the tax is recovered as arrears of land revenue along with the interest and penalty at prescribed rates under the provisions of the Delhi Land Reforms Act, 1954 (DLR Act).

5.6.2 Organizational set up

The Commissioner of Sales Tax is head of the Sales Tax Department. He is assisted by four Additional Commissioners and six Deputy Commissioners. There are ten zones each headed by an Assistant Commissioner and 106 wards each headed by a Sales Tax Officer.

Prior to October 1997, recovery of arrears was the responsibility of the Recovery Branch headed by a Dy. Commissioner. From October 1997 onwards, the Sales Tax Officers were vested with the powers of Assistant Collectors and Deputy Commissioners with the powers of Collectors to effect recoveries of tax dues as arrears of land revenue under the provisions of the DLR Act. However, cases prior to October 1997 are still being dealt with by the Recovery Branch.

Any person aggrieved by any order under the Act or rule made thereunder may appeal to prescribed appellate authority. Against the orders of appellate authority the appeal lies with the Sales Tax Tribunal and thereafter with the High/Supreme Courts.

5.6.3 Audit objectives

Test check of records of 46 out of 106 wards covering all 10 zones of the Sales Tax department relating to raising and collection of arrears of sales tax for the years 1998-99 to 2002-03 was conducted during April 2004 to June 2004 with a view to ascertaining:

- the extent of application and compliance with the provisions of the Act and rules relating to timely collection of sales tax;
- the reasons for the accumulation of arrears and for its rising trend;
- the efficacy and effectiveness of the efforts made to recover the arrears of sales tax in arrears;
- the systemic deficiencies or loopholes, if any, inhibiting efficient and timely collection of arrears of sales tax; and
- the remedial and corrective steps taken by the Department to improve the efficiency and effectiveness of its collection efforts.

The audit findings were referred to the Government in July 2004. In response, the Sales Tax department while confirming the factual position sent their comments in August 2004 which have been incorporated in the succeeding paragraphs:

5.6.4 Position of arrears in collection of sales tax

The trend of increasing accumulation of arrears has been highlighted in various Audit Reports of the Comptroller & Auditor General of India from time to time. However, lack of any substantive and coherent action on the part of the department has resulted in a continuing increase in the arrears. The position of demands awaiting recovery, the additional demands raised and amounts collected during the last five years was as below:

Table 5.6.4: Position of arrears in collection of sales tax

(Rupees in crore)						
Sl. No.	Year	1999-00	2000-01	2001-02	2002-03	2003-04
1.	Demands awaiting recovery at the beginning of the year	4,718.04	5,527.56	6,616.58	6,987.15*	8,327.83
2.	Current demands raised during the year	1,118.68	1,241.20	623.16	1,926.77	1,607.05
3.	Tax collected during the year against the demand raised	53.83	61.22	63.89	61.00	71.39
4.	Tax collected as a proportion of the demand raised during the year	0.92 %	0.90 %	0.89 %	0.68 %	0.71 %
5.	Adjustment on account of deduction/remission of demand during the year	255.33	90.96	176.48	525.09	498.72
6.	Total demand pending at the end of the year 1+3 - 4 - 6	5,527.56	6,616.58	6,999.37	8,327.83	9,364.77
7.	Total collection of sales tax during year	2,347.00	3,388.00	3,704.00	3,883.00	4,385.00
8.	Total collection as proportion of total demand pending recovery	42.46 %	51.20 %	52.92 %	46.63 %	46.82 %

* Departmental figures of closing balance for 2001-02 and opening balance of 2002-03 do not tally as has been pointed out in the Audit Report for the year ended 31st March 2003.

Pending demands increased from Rs.4,718.04 crore to Rs. 9,364.77 crore. Recovery was minimal.

It would be evident from the above that the demands pending at the end of the year have almost doubled from Rs. 4,718.04 crore in the beginning of 1999-2000 to Rs. 9,364.77 crore at the close of 2003-04. The recovery as a proportion of demand raised declined from 0.92 *per cent* in the year 1999-2000 to 0.71 *per cent* during 2003-04. In fact, the amounts pending collection at the end of each year is double the sales tax actually collected during each of the years.

Department stated that the main reason for increase in the arrears was the fact that the limitation period of assessment was drastically reduced in the recent years from four to one year and many dealers could not get statutory forms from the other States by the time of assessment.

The fact remained that despite a position of increasing accumulation of arrears, the department failed to initiate concerted measures to collect the pending demands which resulted in increase in the arrears. It was only in January 2004 that the department issued instructions regarding prioritization of defaulting dealers, scrutiny of pending court cases and vigorous pursuance of recovery proceedings.

5.6.5 Pending appeal and revision cases

There were a total of 56,598 cases pending on account of appeals and revisions with various authorities as on 31 March 2004 as below:

Table 5.6.5: Pending appeal and revision cases

(Rupees in crore)		
Name of Authority	No. of Cases	Amount
Inter-departmental appeals	56,065	*1,608.75
Cases in the Tribunal	485	124.70
Cases in the High Court	41	19.69
Cases in the Supreme Court	7	Not available
Total	56,598	1,753.14

**This excludes Rs. 10,786.53 crore pertaining to 54 lottery cases*

As would be seen from the above, 99 per cent of the pending cases involving revenue of over Rs. 1,608.75 crore (92 per cent of total amount locked in appeals) was pending with various departmental authorities. The Commissioner of Sales Tax called a meeting in April 2004 of all the appellate authorities and directed that the disposal of appeals should be stepped up.

5.6.6 Appeal and revision cases pending within the department

The Act provides that any person aggrieved by any order under the Act or the rules made thereunder may appeal to the prescribed appellate authority. The year-wise details of appeals pending with departmental appellate authorities

and the break-up of revenue involved as on 31 March 2004 was as under:

Table 5.6.6: Appeal and revision cases pending within the department
(Rupees in crore)

Year	Cases pending at the beginning of the year	Addition	Disposal	Cases pending at the end of the year	Amount
1999-00	65,729	15,523	15,551	65,701	1,943.87
2000-01	65,701	20,524	12,151	74,074	2,529.34
2001-02	74,074	15,121	16,965	72,230	2,976.97
2002-03	72,230	17,482	23,204	66,508	2,253.36
2003-04	66,508	19,922	*30,365	56,065	1,608.75

*Note: 54 Lottery cases also deducted.

56,065 cases involving revenue of Rs.1,609 crore were pending in appeals and revisions within the department.

No discernible efforts were made by the department to ascertain the reasons for such huge pendencies which had resulted in blockage of revenue or to identify steps necessary to expedite disposal of the cases.

Department stated that the instructions have been issued to the appellate authorities to clear the backlog of pending cases and these are under close watch.

5.6.7 Cases pending with Tribunal

The Act provides that the Commissioner or any person aggrieved by an order passed in appeal by the prescribed authority may appeal to the Appellate Tribunal against such order. The number of appeals pending with the Tribunal as on 31 March 2004 was as under:

Table 5.6.7: Cases pending with tribunal

Year	No. of appeals pending at the beginning	Appeals added during the year	Appeals disposed during the year	Appeals pending at the close of the year	Percentage of pendency of appeals
2001-02	776	509	1,062	223	17
2002-03	223	548	723	48	6
2003-04	48	558	121	485	80

As would be seen from the above, the percentage of pending appeals increased from 17 to 80 per cent during 2001-02 to 2003-04.

The Department stated that due to retirement of one of the members and till the new member was appointed by the Government, Tribunal could not function from July 2003 to March 2004.

5.6.8 *Cases pending in High Court and Supreme Court*

The details of cases pending in the High Court and Supreme Court as on 31 March 2004 was as below:

Table 5.6.8: Cases pending in High Court and Supreme Court

(Rupees in crore)

Year	Cases in High Court	Amount	Cases in Supreme Court	Amount	Total number of cases	Amount
2001-02	4	34.40	4	N.A.	8	N.A.
2002-03	12	17.90	3	N.A.	15	N.A.
2003-04	41	19.69	7	N.A.	48	N.A.

As evident from the above, the number of cases pending in Courts during 2001-02 to 2003-04 increased from eight to 48. The Department informed in May 2004 that recovery effected through the Courts was nil. The failure of the Department to successfully recover revenue from cases before the judiciary underlines the need to effectively monitor the progress of such cases so as to ensure that the interests of revenue are forcefully projected and effectively defended.

5.6.9 *Recovery of arrears under certificate proceedings*

The Act provides that any arrears can be recovered as arrears of land revenue under DLR Act by initiating any one of the following processes:

- by serving a writ of demand or a citation to appear;
- by arrest and detention of the defaulter;
- by attachment and sale of the defaulter's moveable property;
- by attachment of the holding in respect of which the arrear is due; or
- by attachment and sale of other immovable property of the defaulter.

5.6.10 *Certificate proceedings by the Recovery Branch*

Prior to October 1997, the task of initiating certificate proceedings for recovery of tax dues as arrears of land revenue was centralized in the recovery branch of the sales tax department. The position of recovery of tax arrears of

period from October 1997 was as follows:

Table 5.6.10: Certificate proceedings by the Recovery Branch

(Rupees in crore)

Year	Opening balance cases	Amount	No. of cases disposed	Amount	Balance cases	Amount	Percentage of 4 to 2
1	2	3	4	5	6	7	8
As on 1.10.97	12,981	1,298.92	850	74.98	12,131	1,223.94	6.55
1.4.98	12,131	1,223.94	1,080	97.17	11,051	1,126.76	8.90
1.4.99	11,051	1,126.76	881	28.85	10,170	1,097.91	7.97
1.4.00	10,170	1,097.91	679	281.04	9,491	816.87	6.68
1.4.01	9,491	816.87	270	6.85	9,221	810.01	2.84
1.4.02	9,221	810.01	261	17.23	8,960	792.78	2.83
1.4.03	8,960	792.78	130	2.28	8,830	790.50	1.45
Total			4,151	508.43			

It would be seen from the above that the Recovery branch could dispose off only 4,151 cases (31 *per cent*) realizing an amount of Rs. 508.42 crore (39 *per cent*) during the last seven years. The percentage of cases disposed of indicated a declining trend from 8.90 *per cent* in the year 1998-99 to 1.45 *per cent* in 2003-04.

Failure to ensure effective recovery action coupled with failure to obtain details of property of dealers resulted in non-recovery of Rs. 136.43 crore.

A test check of the records of the Recovery branch revealed that adequate or effective follow up action as provided for under the provisions of the DLR Act was not taken in 81 cases (Annex-I) involving revenue of Rs. 136.43 crore. While in some cases only writ of demand was issued with no follow up action thereafter, in others there was no follow up action with the police authorities after issue of arrest warrant. Further, procedures for attachment of property or for tracing out the defaulting dealers were not followed up with the result that the cases remained pending.

Audit analysis of the reasons for non-recovery of the long pending dues revealed that the root causes was the failure of the departmental authorities to insist on submission of complete address of place of business/residence, details of the nature and constitution of the firm, the nature of the business, and details of immoveable properties, etc.

Department stated that in almost all the cases arrest warrant had been issued against the defaulters and in one case the defaulter had even been sent to jail. It was further stated that before disposal of application for grant of registration, detailed particulars of the business and that of the proprietor/partner/ company are obtained and as such the observations of the audit were not fully correct.

An analysis of the action taken in the 81 cases, however, revealed that while the writ of demand was issued in all the cases, it was not followed up with subsequent action when the dealers failed to respond. Arrest warrants were issued by the department in 49 cases after periods ranging between three to 10 years and in 17 cases after periods ranging between seven to 14 years on being pointed out by audit. In 12 cases, arrest warrants had not been issued at all even after periods ranging between six to 13 years. Two cases were in the High Court and in only one case the defaulter was sent to jail. Such abnormal delay/non-issue of arrest warrants evidently undermined the recovery efforts of the Department as well as the deterrent effect of such actions and facilitated the defaulters in absconding from their residences/business premises resulting in non-recovery of demands.

Further, in 70 cases the department admitted that the details of property of the defaulters were not available in the records, while in seven cases the department could not even mention whether the details of property were available in the records or not. It was further noticed that even the details of bank account were not available in the records in 42 cases, while in 11 cases department did not mention whether the details of bank account were available in the records.

In view of above, the reply furnished by the department is not tenable.

5.6.11 Certificate Proceedings by Sales Tax Officers

After October 1997, Sales Tax officers were empowered to initiate certificate proceedings to recover tax dues as arrears of land revenue. Under the Act, the Commissioner of Sales Tax may at any time for reasons to be recorded in writing and after giving the dealer an opportunity of being heard, cancel the certificate of registration held by such dealer from such date as the Commissioner may specify in this behalf if the dealer contravenes or has contravened any of the provisions of this Act.

Under the Act, the assessing authority is required to send a demand notice (Form ST-16) to the dealer within seven days from the date of assessment to pay the tax due. In case the dealer fails to pay the tax within 30 days, a recovery certificate (Form ST-17) is to be issued after 30 days of issue of the demand notice. Thereafter, certificate proceedings may be initiated under the DLR Act in case of continuing default.

A test check of records revealed the following:

(i) Failure to follow up actions of recovery proceedings

Failure of Sales Tax Officers to meaningfully pursue recovery cases resulted in non-recovery of Rs. 18.05 crore.

Audit scrutiny revealed that an amount of Rs. 21.91 crore was outstanding against 147 dealers as on 31 March 2004 as detailed in Annex-II. The outstanding amounts pertained to assessment years as early as 1981-82 and instead of taking meaningful action under the rules to recover the government dues, the departmental authorities continued to assess the dealers as ex-parte in a routine manner up to 2002-03 without bothering to ascertain whether the dealer was actually functioning or not. Out of Rs. 21.91 crore, demands of Rs. 14.29 crore were due from 90 dealers who had long stopped functioning or were now not traceable and hence the possibility of recovery of the tax arrears of Rs. 14.29 crore is remote.

(ii) Registration certificates cancelled but action under recovery certificate not initiated

Audit scrutiny revealed that in 14 cases involving revenue of Rs. 3.76 crore as detailed in Annex-III, department cancelled the registration certificates of the defaulting dealers. These dealers were assessed for the assessment years 1998-99 to 2002-03. However, no action was taken thereafter to recover the government dues by issue of recovery certificates and initiation of certificate proceedings. Consequently, revenue of Rs. 3.76 crore remained unrealized.

(iii) Non-maintenance of updated details of defaulters

It was also observed in audit that the department had failed to review and periodically monitor recovery in such cases. It had even failed to ensure maintenance of year-wise consolidated details of the defaulters and update details of the dealers which frustrated its efforts to recover government dues.

(iv) Non-issue of guidelines/instructions for effecting recoveries

There were no guidelines or time frame prescribed for initiating action or taking follow up action which indicated the casual approach of the department in effecting recoveries of arrears of sales tax.

Department replied that in some cases the dealers have gone in appeals and in remaining cases follow up action has been taken.

An analysis of 161 cases referred to above, revealed that though 18 cases were under appeal/remand/stay, complete follow up actions were not taken in the remaining 143 cases. No recovery had actually been effected in any case.

In view of above, the reply furnished by the department was not tenable.

5.6.12 Improper maintenance of records

The wards are required to maintain year-wise Demand and Collection Register depicting therein the issue of demand letters along with date, issue of recovery certificate with date and any further action taken against the dealer.

A test check of the Demand and Collection Registers in 46 wards covering all the 10 zones revealed that the registers were not properly filled in. In the absence of the same, the department was not in a position to exercise effective watch over the recovery of outstanding arrears from the defaulters.

Department replied that necessary instructions have been issued to all the Ward In-charge Officers for proper maintenance of records and Zonal In-charge Assistant Commissioners have been directed to regularly monitor the up keep of records in their respective jurisdiction. It was added that Demand and Collection Registers are being computerised in a time bound manner.

5.6.13 Internal control

The Directorate of Audit under the Finance Department is entrusted with the internal audit of all offices of the Delhi Government. It was, however, informed in May 2004 that no internal audit had ever been conducted of the Sales Tax Department.

It was further noticed in audit that there was no system of monitoring/internal control within the Sales Tax Department to pursue/watch the recoveries of arrears. The Department did not maintain any record/register depicting the details of the arrears and of amounts recovered there against every year. In the absence of such details, the effort of the Department to recover outstanding dues was undermined and lacked credibility.

Department replied that the Internal Audit Cell has now been strengthened and would audit the Branches also.

5.6.14 Irregularities in cash handling

There are two types of receipts in the recovery branch, viz. (i) recoveries against Recovery Certificates under the DLR Act, and (ii) other receipts of penalties, etc. imposed by the Enforcement Branch. While receipts against

Recovery Certificates are generally received through cheques, other receipts i.e. from the Enforcement Branch are received in cash by bailiffs and deposited in bank on the same day or the next day. The cash receipts from penalties, etc. imposed by the Enforcement Branch and received in the Recovery Branch during the period 2000-01 to 2003-04 was as follows:

Table: 5.6.14 Irregularities in cash handling

(Rupees in crore)

Year	Amount
2000-01	1.11
2001-02	1.65
2002-03	1.18
2003-04	1.78

A test check of the records of the Recovery Branch revealed the following serious irregularities in handling of cash:

- There were 11 bailiffs in the Branch who were handling receipt of the cash. The bailiffs were Group 'D' level officials. Each bailiff had his own Receipt Book obtained directly from the Form Branch. Any one of them could receive any amount of cash and issue receipts without any limit and jurisdiction.
- The receipts issued by the bailiffs were not countersigned by any responsible official in token of correctness of the amount.
- There was no Stock Register of Receipt Books. Receipt Books were issued to the bailiffs by the Form Branch without verifying return of the old used Receipt Books. No separate account of Receipt Books received and issued to the bailiffs was being maintained.
- Office copy of the receipt issued to the depositor was a counterfoil and not a carbon copy and as such the possibility of different amounts being indicated on the counter foil than that actually received from the depositor to whom the receipt is issued cannot be ruled out.
- No Cash Book/Cash Account containing full details of receipts and deposits into the bank by the Branch was maintained.
- There was no reconciliation between the Recovery Branch and Enforcement Branch of cash received and deposited into the Bank.
- Under the General Financial Rules, every Government employee entrusted with the work of handling cash/stores is required to furnish an Indemnity/Surety Bond to safe guard the interest of the

Government. No such Bonds were obtained from the bailiffs though they were handling substantial amounts of Government cash.

The Department stated in June 2004 that Cash Book would henceforth be maintained with effect from 1 July 2004.

The fact remained that the manner of handling of cash by officials of the level of bailiffs with no supervisory control, basic checks or mandatory records was contrary to the provisions of the financial rules as well as of all norms of financial propriety and prudence and left open the possibility of misappropriation and embezzlement of government cash.

5.6.15 Conclusion and recommendations

Failure of the Department to ensure vigorous and effective action to recover arrears of sales tax in accordance with the provisions of the Delhi Sales Tax Act read with the Delhi Land Reforms Act resulted in continuing accumulation of arrears and non-recovery and loss of revenue of Rs. 154.48 crore. Based on the audit findings, the following recommendations are made to improve and strengthen recovery efforts:

- The Department should evolve an effective mechanism for regular monitoring and follow up of recovery action in each pending case;
- Targets for recovery of pending arrears should be fixed on a realistic basis and achievement of the targets strictly monitored;
- The Department should insist on the dealers furnishing full details of their business and properties, both movable and immovable, at the time of application for registration which should thereafter be properly recorded in the Department and regularly updated for reference in the event of default;
- The Department should fix time frames and targets for expeditious disposal of appeals, revisions and remand cases pending with various levels within the department;
- The Department needs to take urgent action to improve its maintenance of records which had proven to be a major hindrance to the initiation and pursuance of effective recovery action;
- Cash handling procedures within the recovery branch need to be urgently strengthened and brought in line with the general financial rules so as to obviate the possibilities of leakage and misappropriation.

The Department stated that the points raised in audit had been taken note of and vigorous follow-up action was being initiated for effective recovery of the arrears.

Annex-I

(Referred to in paragraph 5.6.10)

Failure to take follow-up action for recovery of arrears by Recovery Branch

(Rupees in lakh)

Sl. No.	Name of the dealer	Ward No.	Assessment Years	Month of issue of WD	Month of issue of WA	Demand (Local & Central)	Reasons for non collection
1.	United General Store	25	1985-86 to 1987-88	Feb. 1990	Oct. 1999	227.97	After issue of WD(Writ of Demand) and WA(Warrant of Arrest), no further actions were taken.
2.	Geetanjali Sales Corpn.	68	1991-92 to 1992-93	Feb. 1994	Sep. 1990	40.59	After issue of WD and WA, no further actions were taken.
3.	Vijay Steel Syndicate	71	1995-96	Mar. 1997	May 2000	28.29	After issue of WD, no further actions were taken.
4.	Like Engineers	71	1989-90 to 1994-95	Mar. 1997	Apr. 2000	15.17	After issue of WD and WA, no further actions were taken.
5.	S. S. Electricals	69	1987-88	July 1992	-	58.70	Department informed that defaulter had been jailed from 9-12-94 to 24-12-94 but particulars of properties were not available
6.	Vivek Trading Co.	69	1987-88 to 1994-95	Jan. 1995	Jan. 2000	120.84	After issue of WD and WA, no further actions were taken.
7.	Yamuna Agencies	69	1987-88 to 1994-95	Mar. 1992	Jan. 2000	97.16	After issue of WD and WA, no further actions were taken.
8.	Kanpur Auto Centre	69	1984-85 to 1995-96	Jan. 1993	July 2004	106.37	After issue of WD, no further actions were taken.
9.	Metal Syndicate	65	1984-85 to 1986-87	June 1990	Feb. 1999	45.58	After issue of WD and WA, no further actions were taken.
10.	C. K. Enterprises	66	1993-94 to 1994-95	Nov. 1994	Sep. 2000	83.85	After issue of WD and WA, no further actions were taken.
11.	Aggarwal Industries	42	1981-82 to 1983-84	Feb. 1993	Feb. 1999	38.42	After issue of WD and WA, no further actions were taken.
12.	Ananat Plasma (P) Ltd.	25	1982-83 to 1987-88	Mar. 1998	Not issued	584.06	After issue of WD and WA, no further actions were taken.
13.	Usha Transformer Corpn.	102	1992-93	Jan. 1997	Aug. 2003	40.43	After issue of WD and WA, no further actions were taken.
14.	Urmila Steel	103	1988-89 to 1991-92	Feb. 1995	July 2004	160.46	After issue of WD and WA, no further actions were taken.
15.	Aar Kay Ind.	105	1987-88	Jan. 1993	June 2004	56.16	After issue of WD, no further actions were taken.
16.	Shree Durga Ind.	105	1985-86	July 1991	Dec. 1991	30.04	After issue of WD and WA, no further actions were taken.
17.	Shree Ram Motor Co.	85	1988-89 to 1990-91	Mar. 1993	Apr. 2000	1306.63	After issue of WD and WA, no further actions were taken.
18.	Perfect Computers	91	1991-92 to 1992-93	May 1996	Not issued	1029.55	After issue of WD and WA, no further actions were taken.
19.	Parkash Enterprises	86	1990-91 to 1992-93	Oct. 1994	Not issued	157.71	After issue of WD and WA, no further actions were taken.
20.	Shree Saraswati Enterprises	85	1988-89	Mar. 1993	Not issued	184.47	After issue of WD and WA, no further actions were taken.

Report on Government of NCT of Delhi of 2005

21	Lal Garh Motors	95	1992-93 to 1993-94	Mar. 1996	Feb. 1999	132.05	After issue of WD and WA, no further actions were taken.
22	Insecticides & Allied Chemicals	95	1992-93 to 1993-94	Mar. 1996	Not issued	116.04	After issue of WD, no further actions were taken.
23	Fasten India	91	1985-86 to 1988-89	Dec. 1992	Dec. 1999	120.64	After issue of WD and WA, no further actions were taken.
24	Jyoti Traders	95	1991-92 to 1992-93	June 1996	Aug. 2000	83.06	After issue of WD and WA, no further actions were taken.
25	Indo Engg. (Kota) P. Ltd.	89	1990-91	Mar. 1995	Mar. 2000	82.93	After issue of WD and WA, no further actions were taken.
26	Pilco System	23	1987-88 to 1989-90	Aug. 1992	Jan. 1999	2981.33	After issue of WD, no further actions were taken.
27	Boom Bag Traders	23	1988-89	May 1993	Jan. 1999	122.51	After issue of WD and WA, no further actions were taken.
28	Kalinga Trading Co.	12	1992-93	Apr. 1996	Apr. 2001	43.00	After issue of WD and WA, no further actions were taken.
29	Vandana Trading Co.	62	1991-92 to 1992-93	Apr. 1996	May 1999	74.30	After issue of WD and WA, no further actions were taken.
30	Mahavir Traders	56	1991-92	Aug. 1993	July 1999	83.10	After issue of WD and WA, no further actions were taken.
31	The Elgin Enterprises	58	1984-85 to 1986-87	Dec. 1991	Apr. 2000	51.10	After issue of WD and WA, no further actions were taken.
32	Adarsh Traders	55	1983-84 to 1985-86	Jan. 1991	Apr. 2000	115.86	After issue of WD and WA, no further actions were taken .
33	Vijay Traders	61	1987-88 to 1989-90	Apr. 1996	Mar. 1999	57.80	After issue of WD and WA, no further actions were taken.
34	New Delhi Automobiles	56	1990-91 to 1994-95	May 1995	June 2000	77.13	After issue of WD, no further actions were taken.
35	Varun Enterprises	62	1989-90 to 1991-92	Sep. 1994	May 1999	85.65	After issue of WD and WA, no further actions were taken.
36	Syndicate Spares Co.	18	1986-87 to 1991-92	Jan. 1994	July 2004	94.04	After issue of WD and WA, no further actions were taken.
37	Gulshan Traders	40	1991-92	Dec. 1995	Aug. 1999	213.71	After issue of WD and WA, no further actions were taken.
38	Anil Kumar & Co.	40	1992-93	Mar. 1996	Apr. 1999	54.53	After issue of WD and WA, no further actions were taken.
39	Amrit Enterprises	40	1991-92	Mar. 1996	Apr. 1999	19.83	After issue of WD and WA, no further actions were taken.
40	Aman Trading Co.	40	1988-89	July 1993	Mar. 2000	9.80	After issue of WD and WA, no further actions were taken.
41	Sahni Agencies	33	1990-91 to 1991-92	Nov. 1993	June 2004	560.13	After issue of WD, no further actions were taken.
42	Uma Sales Corpn.		1988-89	Aug. 1993	Mar. 2003	27.88	After issue of WD and WA, no further actions were taken.
43	Leather & Leather Products P. Ltd.	33	1992-93	Nov. 1996	Sep. 1999	64.98	After issue of WD, no further actions were taken.
44	Raja Motor Co.	18	1985-86 to 1988-89	May 1993	July 2004	85.23	After issue of WD, no further actions were taken.
45	BAC Cables & Conductors	32	1986-87 to 1989-90	Feb. 1993	Feb. 1999	167.03	After issue of WD and WA, no further actions were taken.
46	Bharat Agencies	74	1994-95 to	Dec.	June	162.09	After issue of WD, no further

Report on Government of NCT of Delhi of 2005

			1995-96	1995	2004		actions were taken.
47	Zenith Traders	81	1982-83 to 1985-86	May 1990	July 2004	88.93	After issue of WD and WA, no further actions were taken.
48	Deep Sales Corpn.	81	1987-88 to 1993-94	Aug. 1997	July 2004	91.24	After issue of WD, no further actions were taken.
49	Bhagwati Enterprises	81	1995-96	Aug. 1995	June 2004	106.65	After issue of WD, no further actions were taken.
50	New Kamal Enterprises	82	1985-86 to 1987-88	Sep. 1992	July 2003	155.09	After issue of WD and WA, no further actions were taken.
51	Universal Pump (P) Ltd.	35	1980-81 to 1986-87	Dec. 1992	July 2004	116.67	After issue of WD and WA, no further actions were taken.
52	United Aluminium Trading Corpn.	11	1989-90 to 1991-92	Aug. 1994	Mar. 2000	134.89	After issue of WD and WA, no further actions were taken.
53	Royal Traders	18	1988-89	May 1993	July 2004	212.48	After issue of WD, no further actions were taken.
54	Pure Drinks (ND)Ltd.	7	1995-96	Pending in Court		64.89	After issue of WD, no further actions were taken.
55	Pure Drinks (ND)Ltd.	7	1996-97	Pending in Court		65.89	After issue of WD, no further actions were taken.
56	Ocean Enterprises	8	1983-84 to 1991-92	Jan. 1993	Feb. 1999	20.94	WA could not be served as the dealer was out of station, no further actions were taken.
57	Belrex India Ltd.	13	1980-81 to 1992-93	Nov. 1991	Not issued	192.49	Firm shifted to Kolkata. Case was not followed with the Certificate officer, Kolkata.
58	Nirman Enterprises	11	1990-91 to 1992-93	July 1996	Feb. 1999	64.13	Facts whether the defaulter died not confirmed. No further actions were taken.
59	Royal Traders	27	1983-84 to 1985-86	May 1993	July 2004	212.48	Bailiff intimated that dealer does not reside at the mentioned address. No further actions were taken.
60	Standard Auto Sales	88	1984-85 to 1985-86	Apr. 1990	Not issued	131.93	Facts whether the defaulter died not confirmed. No further actions were taken.
61	Malhotra Auto Store	28	1983-84 to 1990-91	Sep. 1990	Jan. 1991	20.58	After issue of WD, no further actions were taken.
62	R D International	26	1992-93	Feb. 1996	Mar. 2000	49.02	After issue of WD and WA, no further actions were taken.
63	Akhil Kumar Dinesh Kumar	3	1984-85 to 1985-86	June 1990	July 2004	31.41	Surety intimated that both the partners are running separate business in the same ward. No further actions were taken.
64	Sangeeta International	15	1994-95	Mar. 1996	July 1999	22.36	Police intimated that the dealer is avoiding arrest. No further actions were taken.
65	Emkay Steel	15	1987-88 to 1988-89	Mar. 1993	June 2000	28.98	Bailiff intimated that the dealer has gone mad. No further actions were taken.
66	Ramington Rand of India Ltd.	9	1990-91 to 1994-95	Apr. 1997	Not issued	70.28	Case not pursued as the firm was not traceable. Ramington Rand was a

Report on Government of NCT of Delhi of 2005

							big concern. No further actions were taken.
67	R. K. B. (Herbals) Ltd.	13	1986-87 to 1988-89	Nov. 1991	Not issued	14.60	Firm shifted in Himachal Pradesh. Case was not followed up with the Collector, Solan.
68	Amitabh Papers	11	1991-92 to 1992-93	July 1997	Sep. 1999	63.41	Dealer shifted to Krishna Ng. No further actions were taken.
69	Sanjay Enterprises	12	1989-90 to 1993-94	Aug. 1994	July 2003	146.22	WD issued in August 1994, WA issued in February 1999 after four years. Again WA issued in July 2003 after four years. No further actions were taken.
70	Citizen Traders	13	1991-92 to 1992-93	June 1995	Not issued	165.02	After issue of WD, no further actions were taken.
71	Kobe Sales Corpn.	1	1979-80 to 1988-89	Sep. 1991	Not issued	13.28	Surety dealer intimated that the Proprietor is doing business in other firms. No further actions were taken.
72	Adwait Steel & Metals (P) Ltd.	21	1994-95	Apr. 1995	Feb. 2000	218.25	After issue of WD and WA, no further actions were taken.
73	Harnarain Kishore	28	1991-92 to 1992-93	Dec. 1996	July 2004	115.27	After issue of WD, no further actions were taken.
74	Sanjay Kumar & Co.	6	1991-92	Nov. 1995	June 2004	15.18	After issue of WD, no further actions were taken.
75	Garg Trading Co.	23	1983-84 to 1984-85	Sep. 1998	June 2000	19.64	After issue of WD and WA, no further actions were taken.
76	Talwar Trading Co.	27	1988-89 to 1992-93	Oct. 1993	July 2004	134.56	After issue of WD, no further actions were taken.
77	Electrocom Juicer (India) P Ltd.	6	1988-89 to 1992-93	Dec. 1996	Jan. 2000	128.62	Government Counsel intimated that against the WD the defaulter has filed writ of petition. No further actions were taken.
78	Mahavir Alluminium Ltd.	16	1988-89 to 1991-92	Dec. 1992	Not issued	356.23	Recovery Branch wrote a letter to the Board for Industrial & Financial Reconstruction for effecting recovery. No further actions were taken.
79	V. N. Enterprises		1978-79 to 1983-84	Feb. 1993	Nov. 1995	155.81	Police intimated that the dealer is avoiding arrest. No further actions were taken.
80	Aluminum Sales Enterprises	5	1987-88 to 1992-93	May 1995	July 1999	27.76	After issue of WD and WA, no further actions were taken.
81	Bansal & Co.	6	1987-88 to 1991-92	Oct. 1993	Dec. 1999	89.35	After issue of WD and WA, no further action was taken.
	Total					13,642.73	

Annex-II
(Referred to in paragraph 5.6.11 (i))
Failure to take actions of recovery proceedings

(Rupees in lakh)

Sl. No.	Name of the dealer	Ward No.	Assessment year	Demand outstanding (Local & Central)
1.	M/s. Asia Automotive Ltd.	43	1999-00 to 2002-03	7.67
2.	M/s. Skipper Beverages (P) Ltd.	43	2001-02 to 2002-03	3.14
3.	M/s. Premium Apparrels Ltd.	47	1998-99 to 2002-03	26.17
4.	M/s. Positive Fashion	47	1999-00 to 2002-03	22.43
5.	M/s. Preet Impex (P) Ltd.	54	1998-99 to 2002-03	12.52
6.	M/s. Hindustan Leather Ltd.	45	2000-01 to 2002-03	2.98
7.	M/s. Sri Sai Shirdhi Impacts	51	2001-02 to 2002-03	2.71
8.	M/s. Unique Refrigeration	51	2001-02 to 2002-03	6.23
9.	M/s. Sai Polymers	51	2000-01 to 2002-03	328.31
10.	M/s. Dinesh Chemicals	50	1999-00 to 2002-03	6.04
11.	M/s. Abhishek Trading Co.	50	1999-00 to 2002-03	14.50
12.	M/s. Mars International	50	2001-02 to 2002-03	18.75
13.	M/s. Nandini The Fashion People	50	2000-01 to 2002-03	1.50
14.	M/s. K. K. Tech Fab (P) Ltd.	50	1999-00 to 2002-03	35.46
15.	M/s. Klipp Footwear	50	2000-01 to 2002-03	3.76
16.	M/s. Benco Polymers	52	1999-00 to 2002-03	14.15
17.	M/s. Vikas Motors	52	2001-02 to 2002-03	15.30
18.	M/s. Oberai Sales Corporation	45	1981-82 to 2002-03	8.43
19.	M/s. Super Silk Sarees	45	1996-97 to 2002-03	6.81
20.	M/s. Vaishno Devi Appareal	45	1997-98 to 2002-03	1.59
21.	M/s. Namdhari Furnitures	45	1986-87 to 2002-03	6.32
22.	M/s. National Trading Co.	45	1987-88 to 2002-03	46.25
23.	M/s. Nishi Enterprises	45	1983-84 to 2002-03	11.39
24.	M/s. ELF Creation	45	1991-92 to 2002-03	1.30
25.	M/s. Ranas	45	1996-97 to 2002-03	20.35
26.	M/s. Wing Span International	45	1997-98 to 2002-03	12.25
27.	M/s. Thakral Opticals (P) Ltd.	22	1999-00 to 2002-03	19.27
28.	M/s. Rahul Trading Co.	22	2001-02 to 2002-03	4.27
29.	M/s. Simco Paints & Chemicals	26	2001-02 to 2002-03	3.08
30.	M/s. Basant Lal Prem Kumar	26	2001-02 to 2002-03	3.16
31.	M/s. Seatron Capacitor (P) Ltd.	26	2000-01 to 2002-03	9.67
32.	M/s. Suraj Mal Shiv Dayal	26	2001-02 to 2002-03	2.95
33.	M/s. Shiv Shakti Kirana	27	1998-99 to 2002-03	23.25
34.	M/s. Hindalca Metals	32	1999-00 to 2002-03	14.74
35.	M/s. Viajay Rani Enterprises	32	1999-00 to 2002-03	9.42
36.	M/s. B. R. Metals	32	2001-02 to 2002-03	27.09
37.	M/s. Priya Darshini Tread Ltd.	34	1999-00 to 2002-03	28.48
38.	M/s. Surya Industries	34	2000-02 to 2002-03	11.94

Report on Government of NCT of Delhi of 2005

39.	M/s. Taneja & Co.	34	2001-02 to 2002-03	13.56
40.	M/s. S. K. Enterprises	34	2001-02 to 2002-03	8.46
41.	M/s. GoldenCable&ReelMfg. Co.	34	2000-01 to 2002-03	82.75
42.	M/s. Saraswati Stationer& Trader	38	2001-02 to 2002-03	3.04
43.	M/s. Rakesh Agency	38	1999-00 to 2002-03	6.92
44.	M/s. Rajput Candle Works	41	2000-01 to 2002-03	11.76
45.	M/s. Sharpedge India	41	2000-01 to 2002-03	12.41
46.	M/s. S. M. Industry	41	2000-01 to 2002-03	12.03
47.	M/s. Rose Marketing India	41	2001-02 to 2002-03	14.54
48.	M/s. M. R. International	41	2001-02 to 2002-03	3.97
49.	M/s. Damodar Plastics	41	2001-02 to 2002-03	4.46
50.	M/s. Universal Electrical India	41	2001-02 to 2002-03	7.06
51.	M/s. Prem Trading Co.	42	2001-02 to 2002-03	12.48
52.	M/s. Prime Agencies	42	2001-02 to 2002-03	15.71
53.	M/s. Alpine Industries	42	1999-00 to 2002-03	30.11
54.	M/s. Vending International	42	1998-99 to 2002-03	25.39
55.	M/s. Universal Printing Inks	67	2000-01 to 2002-03	5.42
56.	M/s. SBR Associates	68	1999-00 to 2002-03	4.63
57.	M/s. Meenu Plastic	79	1999-00 to 2002-03	4.88
58.	M/s. Chadha Electrical Ind.	79	2000-01 to 2002-03	1.46
59.	M/s. Akash Garments	79	2000-01 to 2002-03	2.52
60.	M/s. Radhika Creation (P) Ltd.	72	2001-02 to 2002-03	5.33
61.	M/s. Indraprastha United (P) Ltd	72	1999-00 to 2002-03	3.27
62.	M/s. Bharat Agencies	72	2001-02 to 2002-03	8.85
63.	M/s. Rapta Cosmetics(P) Ltd.	69	2000-01 to 2002-03	6.29
64.	M/s. Prompt Engg. Co.	66	2000-01 to 2002-03	7.62
65.	M/s. SAS Associates	66	1998-99 to 2002-03	13.23
66.	M/s. C.L. Plastic & Thermowares	66	2001-02 to 2002-03	12.84
67.	M/s. Shivam Enterprises	71	2000-01 to 2002-03	5.01
68.	M/s. Sun Pack Industries	71	1997-98 to 2002-03	7.00
69.	M/s. Star Electronics	71	1999-00 to 2002-03	9.21
70.	M/s. Solace Drugs Industry	71	1997-98 to 2002-03	2.37
71.	M/s. Balaji Trading Co.	71	1999-00 to 2002-03	8.54
72.	M/s. Mithash Export	78	2000-01 to 2002-03	5.62
73.	M/s. Chhapra Textile Corpn.	78	2001-02 to 2002-03	4.78
74.	M/s. Chhapra Saree Sangam	78	2001-02 to 2002-03	5.68
75.	M/s. Chhapra Sons	78	2001-02 to 2002-03	4.78
76.	M/s. Chhapra Silk Corporation	78	2001-02 to 2002-03	4.78
77.	M/s. B.S. Daleep Kumar & Co.	81	1995-96 to 2002-03	4.25
78.	M/s. Chronology Mfg. Co.	81	1998-99 to 2002-03	3.85
79.	M/s. Dua Traders	81	1995-96 to 2002-03	2.24
80.	M/s. R.K. Agencies	64	2000-01 to 2002-03	92.55
81.	M/s. R.K. Steel Industries	64	1999-00 to 2002-03	8.79
82.	M/s. Harsh Electronics	83	2001-02 to 2002-03	5.38
83.	M/s. Raj Air Products	83	1999-00 to 2002-03	2.52
84.	M/s. B.D. Agency	88	1999-00 to 2002-03	7.73

Report on Government of NCT of Delhi of 2005

85.	M/s. Saha Keil Ltd.	90	1999-00 to 2002-03	69.17
86.	M/s. Prominent Aeropack	90	2000-01 to 2002-03	2.76
87.	M/s. Trish Computers	95	1999-00 to 2002-03	2.18
88.	M/s. Vintage Card & Creations	95	2000-01 to 2002-03	22.18
89.	M/s. Arihant Traders	12	1999-00 to 2002-03	5.17
90.	M/s. Khadi Gramodyog	02	1999-00 to 2002-03	7.42
91.	M/s. Sri Giriraj Enterprises	43	2002-03	4.28
92.	M/s. Shrill Refrigeration & Air Conditioners	47	2002-03	16.49
93.	M/s. Jagriti Resins (P) Ltd.	53	2002-03	90.68
94.	M/s. Variety Trade Links (I)	49	2002-03	12.33
95.	M/s. Doel Ceramics (P) Ltd.	51	2002-03	4.82
96.	M/s. Pharmacia India (P) Ltd.	50	2002-03	7.99
97.	M/s. Rama Associates (P) Ltd.	50	2002-03	11.76
98.	M/s. Raja Rubber Works	50	2002-03	1.08
99.	M/s. Pankaj Traders	52	2002-03	2.87
100.	M/s. Hind Motor (P) Ltd.	52	2002-03	2.54
101.	M/s. S. P. Traders	52	2002-03	2.58
102.	M/s. Sandeep Plastics	55	2002-03	1.00
103.	M/s. Vee Jay Paints (P) Ltd.	55	2002-03	3.51
104.	M/s. J. S. Enterprises	31	2002-03	27.81
105.	M/s. Parry Woollen Ind.	31	2002-03	8.90
106.	M/s. Goldie Chappal Store	31	2002-03	2.24
107.	M/s. Malik Light House	31	2002-03	3.77
108.	M/s. Kripa Ram Engraver & Sons	35	2002-03	41.36
109.	M/s. Mahaveer Traders	35	2002-03	2.42
110.	M/s. Vastu Overseas	35	2002-03	2.77
111.	M/s. Nanu Ram Nand Lal	35	2002-03	4.55
112.	M/s. O. Pee Polypet (P) Ltd.	67	2002-03	6.29
113.	M/s. Jamuna Minerals	67	2002-03	1.11
114.	M/s. Vinko Ind. Delhi (P) Ltd.	67	2002-03	6.03
115.	M/s. Simran Impex	67	2002-03	5.38
116.	M/s. G. J. Foods (P) Ltd.	70	2002-03	29.70
117.	M/s. Firewear India (P) Ltd.	70	2002-03	11.74
118.	M/s. Preeti Fashion	70	2002-03	11.43
119.	M/s. Jain Float Glass	70	2002-03	13.21
120.	M/s. Sharma Sales	65	2002-03	3.41
121.	M/s. Bakesman Industry	73	2002-03	10.07
122.	M/s. Akash Electronics & Software	73	2002-03	5.54
123.	M/s. Sumangal Metal Combine	73	2002-03	7.26
124.	M/s. Ankit Motors	73	2002-03	6.22
125.	M/s. Emco Enterprises	73	2002-03	16.31
126.	M/s. Ashoka Trading Co.	77	2002-03	1.96
127.	M/s. Excellent Engg. India	77	2002-03	1.13
128.	M/s. Jindal Steel	77	2002-03	6.42

Report on Government of NCT of Delhi of 2005

129.	M/s. S. M. Industries	77	2002-03	7.05
130.	M/s. Fanca India (P) Ltd.	88	2002-03	10.49
131.	M/s. Bells International	88	2002-03	20.52
132.	M/s. Auto Cool India	88	2002-03	2.40
133.	M/s. Mewar Lamp	90	2002-03	3.62
134.	M/s. Monet Exports (P) Ltd.	91	2002-03	2.19
135.	M/s. Western Electronic Ltd.	91	2002-03	1.23
136.	M/s. Zaspin Interactive India (P) Ltd.	91	2002-03	32.00
137.	M/s. V-Co. & Marketing (P) Ltd.	95	2002-03	1.20
138.	M/s. Vishnu Exim Overseas (P) Ltd.	95	2002-03	2.54
139.	M/s. Viable Information Systems	95	2002-03	1.34
140.	M/s. Batra Service Station	105	2002-03	90.77
141.	M/s. Friends Machine Tool	19	2002-03	5.25
142.	M/s. Raj Enterprises	19	2002-03	5.15
143.	M/s. Amrit Brothers	19	2002-03	4.00
144.	M/s. Goyal Paper Traders	19	2002-03	28.52
145.	M/s. Himani Enterprises	12	2002-03	24.33
146.	M/s. C. D. House India Ltd.	01	2002-03	24.79
147.	M/s. Kone Elevators	08	2002-03	96.19
	Total			2,191.12

Annex-III
(Referred to in paragraph 5.6.11 (ii))
Failure to take action under recovery certificate

(Rupees in lakh)

Sl. No.	Name of the dealer	Ward No.	Assessment year	Demand outstanding (Local & Central)
1.	M/s. New Golden Enterprises(RC cancelled on 2.3.03)	34	2001-02 to 2002-03	65.30
2.	M/s. Shiva Metals(RC cancelled on 12.9.00)	35	2000-01	12.00
3.	M/s. Veer Enterprises(RC cancelled on 3.3.01)	35	2000-01	12.00
4.	M/s. Pankaj Knitwear(RC cancelled on 18.2.02)	35	2000-01	3.30
5.	M/s. Shakti Plastic(RC cancelled on 30.10.98)	38	1998-99	2.55
6.	M/s. Rohit Enterprises(RC cancelled on 14.6.01)	69	2000-01 to 2001-02	10.51
7.	M/s. Sriram Balaji Trading Co.(RC cancelled on 8.6.01)	69	2001-02	4.21
8.	M/s. Atul Trading Co.(RC cancelled on 12.2.01)	69	1999-00 to 2000-01	13.52
9.	M/s. Aarg Marketing (P) Ltd.(RC cancelled on 28.8.03)	09	1998-99 to 2001-02	56.37
10.	M/s. Dunlop (India) Ltd.(RC cancelled on 24.1.04)	09	2000-01 to 2001-02	188.03
11.	M/s. Amrit Kumar Yash Kumar Enterprises(RC cancelled on 24.1.04)	16	2000-01 to 2001-02	3.91
12.	M/s. Audio House(RC cancelled on 15.11.01)	16	2000-01	1.42
13.	M/s. Bombay Motors(RC cancelled on 21.1.04)	16	2001-02	1.55
14.	M/s. Bombay Plastic(RC cancelled on 21.1.04)	16	2000-01	1.52
	Total			376.19

5.7 Review on Collection of Stamp Duty

Highlights

The value of stamps required to be affixed on share transactions during 1999-2000 to 2002-03 was Rs. 149.44 crore. As against this, stamps of the value of only Rs. 31.32 crore was sold by the treasury indicating a revenue shortfall of Rs. 118.12 crore due to short usage of stamps.

(Paragraph 5.7.6)

The value of documents registered with the sub-Registrar offices during 2000-01 and 2001-02 was more than the stamp papers sold by Rs. 46.03 crore. No mechanism existed for ascertaining the reasons for the discrepancy.

(Paragraph 5.7.7)

Stamps worth Rs. 239.75 crore despatched by the Indian Security Press, Nasik remained unaccounted for in the books of Delhi Treasury.

(Paragraph 5.7.8)

Licenses of stamp vendors were not cancelled in accordance with the provisions of the Delhi Province Stamp Rules despite the vendors being charged with criminal offences. This undermines the credibility of revenue administration.

(Paragraph 5.7.12)

The records of the Collector of Stamps were not properly maintained and there were inadequate controls over the stamp vendors.

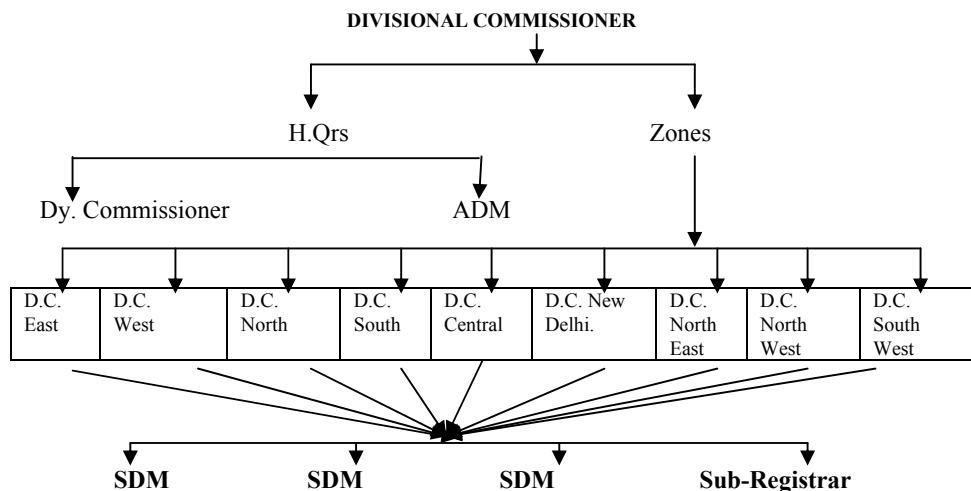
(Paragraph 5.7.13)

5.7.1 Introduction

The Indian Stamp Act, 1899, read with the Delhi Province Stamp Rules, 1934 (Rules), and the notifications issued from time to time provide for levy of stamp duty on various instruments specified in the Schedule of the Act at specified rates in the NCT of Delhi. Such duties are paid by the executors of instruments either by using impressed stamp of proper denomination or by affixing stamps of proper denomination on the instruments. Stamp duty on lease deeds being executed by DDA with the allottees are however deposited by way of cash/bank draft through challans into government account.

5.7.2 Organisational set up

The Divisional Commissioner is head of the Revenue Department entrusted with the administration of the Act and Rules *ibid*. He is assisted by one Deputy Commissioner and one Additional District Magistrate. There are nine zones each headed by a Deputy Commissioner. Each zone is further subdivided 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. The organizational chart is as below:



There is one treasury for the NCT of Delhi which is responsible for procurement and issue of both judicial and non-judicial stamps/stamp papers. The procurement is made from Indian Security Press (ISP), Nasik, by submitting indents through the Divisional Commissioner.

5.7.3 *Audit objectives*

The objective of the audit exercise was to:

- ascertain how demand for supply of stamps was being projected and the collection of revenues with reference to the budget projections;
- ascertain whether adequate checks existed to ensure proper assessment, sale and accountal of stamps and stamp papers so as to obviate the possibility of fraud; and
- ascertain whether there was any leakage of revenue under stamp duty.

5.7.4 *Scope of audit*

The period covered under the review was generally from 1993-94 to 2002-03 while the housing, insurance and stock transfer sectors were test checked specifically from 1999-2000 to 2002-03. Records relating to the issue of stamp papers by the Treasury and that used in registration of documents in all the nine sub-Registrar offices were cross checked. The audit findings were communicated to the Government in June 2004. The comments of Department were received in August 2004 and have been incorporated in the review.

5.7.5 *Trend of revenue*

The budget estimates and actual receipt from stamp duty and registration fee from 1999-2000 to 2002-03 was as under:

Table 5.7.5: Trend of revenue

(Rupees in crore)				
Year	Budget estimates	Actual realisation	(-) Shortfall (+) Excess	Percentage of variation
1999-2000	268	190.48	(-) 77.52	28.92
2000-01	330	191.68	(-) 138.32	41.91
2001-02	250	283.16	(+) 33.16	13.26
2002-03	400	436.80	(+) 36.80	9.2

There was shortfall in collection of stamp duty during the years 1999-2000 and 2000-01 in comparison to the budget estimates due to the fact that the budget estimates were based on an assumption of upward revision in the rates of stamp duty which however came into force only w.e.f. 31 July 2001.

5.7.6 Shortfall in revenue

As per the Indian Stamps Act, 1899, stamp duty on share transfer is to be levied at the rate of 75 paise per Rs. 100 of shares actually transferred/sold. During the period 1999-2000 to 2002-2003, the position of the value of shares transferred as ascertained from the Delhi Stock Exchange (DSE), the value of stamp duty involved and value of share transfer stamps actually sold by the Delhi Treasury was as below:

Table 5.7.6: Shortfall in revenue

(Rupees in crore)

Year	Value of shares Transferred	Value of stamps required	Value of stamps sold by Delhi Treasury	Shortfall in usage
1999-2000	8,868.62	66.51	10.02	(-)56.49
2000-2001	10,077.77	75.58	11.51	(-)64.07
2001-2002	978.83	7.34	5.44	(-)1.90
2002-2003	1.13	0.1	4.35	(+)4.34
Total	19,926.35	149.44	31.32	(-)118.12

Note: The sharp decline in the value of shares transactions during 2001-02 and 2002-03 was due to progressive introduction of transaction through DEMAT system while figures here relates only to transaction made by DSE.

Shortfall of Rs. 118.12 crore in usage of Share Transfer Stamps.

As evident from the above, there was a shortfall in usage of stamps of Rs. 118.12 crore which is suggestive of short affixing of stamps or usage of fraudulent stamps. No system existed to detect or investigate such shortfall in usage of stamps and potential loss of revenue.

While confirming the facts, the Department stated that they would explore the possibility for on-line linkage of computerised Delhi Treasury with the Delhi Stock Exchange where some officer can be declared as nodal officer to facilitate matching sale of share transfer stamps from Delhi Treasury and use of share transfer stamps at Delhi Stock Exchange by the brokers. It was added that the matter would also be taken up with SEBI to seal the loopholes.

5.7.7 Variation in the value of stamp papers

As per Rules, a licensed stamp vendor is not authorised to sell any stamp exceeding Rs. 500 in value. The stamp exceeding Rs. 500 in value can be purchased from treasury which would be valid for a single transaction.

Scrutiny of the records of the Delhi Treasury as well as of the nine sub-registrar offices indicated that the value of stamp papers sold by the treasury and the documents registered by sub-registrars during the four years under

review was as follows:

Table 5.7.7: Variation in the value of stamp papers**(Rupees in crore)**

Year	Value of stamp paper sold by Treasury	Value of documents registered in sub-Registrar Offices	Short fall (-) Excess (+)
1999-2000	104.06	94.65	(-) 9.41
2000-2001	145.66	171.75	(+) 26.09
2001-2002	231.79	251.73	(+) 19.94
2002-2003	362.70	344.46	(-) 18.24
Total	844.21	862.59	(+) 18.38

Value of documents registered higher than stamp paper sold by Rs. 46.03 crore during 2000-02

As evident from the above, the value of documents registered was higher by Rs. 26.09 crore and Rs. 19.94 crore during 2000-01 and 2001-02 respectively. The variation in the value of stamp papers was attributable either to use of stamp papers not sold by Delhi Treasury or by deposit of the difference of stamp duty through challans as per the Indian Stamp Act 1899. However, no mechanism existed for ascertaining the reasons for the discrepancy. While accepting the audit observation, the Department stated that matter would be examined on receipt of reply from the sub-Registrar offices.

(i) Non-verification of stamp papers

Further test check of documents in the offices of the six sub-Registrars with reference to the details of stamp papers used in registration of documents viz. treasury issue number and date, value of stamp papers used and specific number of stamp papers of Rs. 10,000/- and above revealed certain discrepancies as detailed in the succeeding paragraphs.

(ii) Stamp papers used in excess than that actually issued by the Treasury

Stamps papers of Rs. 3.65 lakh used in excess of the value issued from treasury.

- Test check of records of the six sub-registrars revealed that in 12 cases stamp papers valued at Rs. 3.65 lakh were used in excess of the value of stamp papers sold from the treasury during the period between October 1999 to October 2002 as detailed in the annex-IV. This was indicative of unauthorized purchase of stamp papers.
- Section 14 of the Indian Stamp Act read with Rule 33 of the Delhi Province Stamp Rules stipulate that deficient amount of stamp papers cannot be made good by joining of another stamp paper. Such instruments can be duly stamped by depositing amount in cash in the nationalised banks. In two cases as detailed below, registrations of documents were done by joining two sets of papers:

- Registration of document in sub-Registrar Mehrauli vide registration No. 3,534 dated 28 October 1999 for Rs. 24,000/- was made by joining stamp paper of Rs. 20,000/- issued by Treasury issue No. 8,591 dated 15 June 1998 and Rs. 4,000/- issued by Treasury issue No. 39,484 dated 26 March 1999.
- Registration of document in sub-Registrar Asaf Ali Road vide registration No. 5,058 dated 4 December 2001 for Rs. 4,550/- was done by joining two sets of papers for Rs. 3,550/- and Rs. 1,000/- issued by the Treasury vide Treasury issue numbers 32,983 dated 20 November 2001 and 33,219 dated 21 November 2001 respectively.

The Department stated that comments would be sought from the concerned sub-registrars and a circular would be issued to avoid violation of the above Rule.

(iii) As per Rules, the vendor shall write with his own hand writing in indelible ink, at the time of sale, on the back of every non judicial or court fee impressed stamp which he sells, the serial number; date of the sale; name, surname and residence of purchaser and purpose for which the stamp is purchased.

In five cases, stamp papers with a value of Rs. 1.05 lakh used in registration of documents could not be verified from the Treasury records in the absence of Treasury issue number and date.

Under such circumstances, the authenticity of the stamp papers was rendered doubtful. The Department stated that clerical mistake might have crept in due to rush of work. However, copies of the registered documents from the sub-Registrar offices would be called for further investigation. Further reply was awaited as of February 2005.

5.7.8 Short accountal of stamps

The Indian Security Press (ISP), Nasik is responsible for regulating the supply of all kinds of stamps required by the Delhi Government. The position of stamps dispatched by ISP, Nasik for the period 1 April 1998 to 31 March 2003 was compared with the stock registers maintained by the Delhi Treasury. The reconciliation of these two sets of figures i.e. stamps supplied by ISP Nasik and received by Delhi treasury revealed that there was short accountal of stamps of Rs. 239.75 crore. The year-wise break up of short accountal was as under:

Table 5.7.8: Short accountal of stamps

(Rupees in crore)			
Year	Stamps supplied	Stamp received by	Shortage

	by ISP Nasik	Delhi treasury	
1998-99	10.64	3.39	7.25
1999-00	Nil	Nil	Nil
2000-01	2.95	1.32	1.63
2001-02	31.65	18.80	12.85
2002-03	348.59	130.57	218.02
Total	393.83	154.08	239.75

In order to ascertain the reasons for such short accountal, details of printing charges claimed by ISP Nasik and paid by the Delhi Treasury were called for. The Delhi treasury stated in August 2004 that only four printing charges bills for stamps presented in 1998-99 valued at Rs. 4.52 lakh were pending for payment. The details of supply of stamps against such bills were called for by Delhi Government from ISP Nasik which was still awaited. The short accountal of stamps was due either to non-reconciliation of stamps dispatched and acknowledgement received from Delhi treasury or defective maintenance of records by ISP Nasik. The matter needs to be investigated so as to obviate any possibility of manipulation and mischief.

5.7.9 Excess accountal of stamps

It has been further observed that comparison of stamps dispatched and received by Delhi Treasury had also revealed that during the years 1998-99 and 2001-02, Delhi Treasury had received stamps of Rs. 15.73 crore in different categories in excess of that dispatched by the ISP Nasik as detailed below:-

Table 5.7.9: Excess accountal of stamps

Year	Stamps supplied by ISP Nasik	Stamp received by Delhi treasury	(Rupees in crore)
			Excess
1998-99	2.01	12.71	10.70
2001-02	55.91	60.94	5.03
Total	57.92	73.65	15.73

5.7.10 Misuse of powers delegated under the Act

The Indian Stamps Act stipulates that if any person brings to the notice of the Collector the fact that the instrument required to be registered is not duly stamped and offers to pay the Collector the amount of the proper duty or the amount required to make up the same and the Collector is satisfied that the omission to duly stamp such instrument has been occasioned by accident, mistake or urgent necessity, he may either impound the document or receive such amount.

Test check of the records of the sub-Registrars, Kapashera and Kashmiri Gate revealed the following:-

Section 41 of Act invoked even where it was not applicable leaving scope for loss of revenue.

In two cases, sale deeds of Rs. 5 lakh and Rs. 4.5 lakh were registered by sub-Registrar, Kapashera for a consideration of stamp duty of Rs. 41,000 and Rs. 37,000 vide registration number 3,401 and 3,402 dated 8 October 2001 respectively. However, stamp papers of Rs. 100 each were purchased vide treasury issue numbers 18,927 and 18,926 dated 27 August 2001. The balance amount of Rs. 40,900 and 36,900 were got deposited by the Collector of Stamps, Kapashera in cash through challans on 3 October 2001 in contravention of provisions of Section 41 of the Act.

In one case, sale deed of Rupees three lakh was registered for a consideration of stamp duty of Rs. 39,000 vide registration no 5408 dated 3 December 2002 with sub Registrar, Kashmiri Gate on the stamp papers of Rs. 17,400 purchased vide treasury issued number 45,402 dated 23 November 2002. The deficient amount of Rs. 21,600 was stated to be already deposited. However, no details were on record about depositing the deficient amount.

It was thus clear that the omission to duly stamp such instruments were not by accident, mistake or urgent necessity. Such misuse of the provisions of the Act leaves scope for loss of revenue arising from incorrect certification of receipt of correct value of stamps. The Department admitted that this was a serious lapse on the part of Collector of Stamps, and that directions would be issued to implement the provisions of the Act/Rules in letter and spirit.

5.7.11 Defective maintenance of treasury records

Rules governing maintenance of records not adhered to.

Detailed instructions have been laid down in Rules of the Delhi Province Stamp Rules, 1934, for proper maintenance of stamps records. The judicial/non-judicial stamp papers are received by the Delhi Treasury from the ISP, Nasik. On receipt of stock, stamp papers along with numbers printed on stamp papers of Rs. 10,000 and above are to be entered in Double Lock Stock registers. A daily demand in the form of indent is raised by sale counter clerks

for sale to public. Stamp papers are issued from double lock registers by the treasury officer and the counter clerks enter their receipt in the single lock registers along with the number of stamp papers.

A test check of entries in the double lock registers of the treasury with reference to invoices received from the ISP, Nasik, and of the entries in the single lock registers of sale counter clerks with reference to indents and delivery registers and the daily sales registers/cash books/bank challan registers for the period 1993-94 to 2002-03 revealed the following deficiencies:

Specific numbers not recorded in delivery registers.

(i) It was noticed that in four cases the stamp papers of/above value of Rs. 10,000/- were sold by counter clerk which were without specific numbers as detailed in Annex-V.

The Treasury Officer stated in June 2004 that prior to 22 October 2002, specific numbers of stamp papers of/above Rs. 10,000/- were not recorded in the delivery registers of stamp papers. It was evident that had the specific numbers been recorded at the time of issue of stamp papers in the delivery register as per the extant instructions, such release of defective stamp papers could have been avoided. Further, in the absence of specific numbers on stamp papers used, their genuineness remained doubtful.

The Department stated that the practice of release of non-judicial stamp papers of/above Rs. 10,000/- without any specified number had been stopped altogether. In case any stamp paper is received without specific number from ISP Nasik, the same are cancelled for return to ISP Nasik.

(ii) It was noticed that entries recorded in the delivery registers in 11 cases as detailed in Annex-VI were defective to the extent that the correct value of stamp papers issued were not recorded. The Department stated that an error had crept in due to pressure of work and the staff had been instructed to take care of this aspect.

(iii) Test check of delivery registers of the treasury revealed that in four cases, the amount of stamp papers issued was not even recorded in the delivery registers.

The Treasury Officer while accepting in June 2004 the error stated that the value of the stamp papers could not be traced out in the absence of name of the parties to whom they were issued. The Department stated that this was an error due to pressure of work and the staff had been instructed to take care of this aspect.

5.7.12 Failure to cancel licenses of vendors charged with criminal offenses

Failure to cancel licences of vendors even when involved in criminal offences.

The appointment of licensed stamp vendors, sale of stamp papers and administrative controls on vendors are prescribed in the Delhi Province Stamp Rules, 1934. The Stamp Rules specifically stipulates that infringement of any of the provisions of the rules would render the stamp vender liable for cancellation of his license in addition to whatever penalties or imprisonment. In addition, the holder of the license should bear a good moral character.

A review of the records of the Collector of Stamps relating to the licenses of vendors for the period 1993-94 to 2002-03 revealed that no action was taken to cancel the licenses of the vendors even though they were involved in criminal offenses as follows:

- In two cases, Delhi Police arrested two stamp vendors on 8 December 1998 and 18 October 2001 with fake stamp papers of Rs. 4.04 lakh and Rs. 2.08 lakh respectively. Both the stamp vendors remained under judicial custody from 8 December 1998 to 23 February 1999 and from 18 October 2001 to 22 October 2001. No action was taken by the Collector of Stamps to cancel their licenses.
- After this was pointed out the Collector of Stamps stated in June 2004 that the licenses were not cancelled keeping in view the facts and circumstances of the individual case though the supply of stamps was kept in abeyance for some time and restored later.
- In another two cases, licensees were implicated in two criminal cases. In both the cases, neither was copies of FIR obtained to ascertain the seriousness of the criminal charges nor was any action initiated to cancel their licenses.
- A licensee was arrested on 26 March 2003 and released on bail on 10 April 2003 on charges of over charging the value of stamp papers but the license was not cancelled. After this was pointed out the Collector of Stamps informed that the license of the vendor had since been cancelled in April 2004.

Failure to cancel the licenses even of persons charged with criminal offenses violated both the letter and spirit of the Rules and clearly undermined the credibility of revenue administration. The Department stated that license of all stamp vendors involved and charged with criminal act/offences would be cancelled forthwith. In case any stamp vendor is charged with criminal offence at any time in future, his license would be cancelled immediately.

5.7.13 Improper maintenance of records and inadequate controls

As per Rules, the Collector of Stamps is required to maintain a license register indicating there in the detailed particulars of licensee, serial number and date of issue and their subsequent renewals. Test check of the records of the Collector of Stamps revealed the following deficiencies in maintenance of records:

- As per the license register maintained by the Collector Stamps, the stamp branch had issued 593 licenses to vendors as on 31 March 2003, out of which 373 stood cancelled. However, the branch was not in a position to intimate the dates on which licenses were issued and cancelled.
- The Department had not maintained any record like license registers, vendor's files and vend registers prior to April 1998.
- As per the provisions contained in the Rules, stamp auditors are required to inspect the stock of stamps, the register and accounts of any licenses vendor or specially licensed vendors at a periodicity of about a fortnight. In January 2004, instructions were issued to conduct detailed inspections of at least three licensed stamp vendors on every working day by each stamp auditor. It was however, observed that no record was maintained to show how many inspections were actually carried out by each stamp auditor. The department failed to even furnish the year wise breakup of inspections carried out by each stamp auditor during the period under review. In the absence of any records, the inspections conducted could not be vouchsafed in audit.

The Department stated that Collector of Stamp (Headquarters) would ensure that records of license vendors is arranged properly and every stamp auditor prepared and submitted their Inspection books to their superior for further perusal.

5.7.14 Maintenance of vend registers

**Vend Registers
not maintained.**

As per the Delhi Province Stamp Rules 1934, each licensed vendor is required to submit vend registers at the office of the Collector of Stamps at the end of the financial year. In July 1999, instructions were also reiterated that the registers should be closed and deposited at the end of each financial year and new registers should be opened from 1 April of every year.

Test check in audit of 50 vend registers selected at random revealed that only 16 registers were actually available. The Department stated in March 2004 that efforts were being made to trace the remaining records. Out of the 16 registers, 10 registers were found not closed annually.

Audit scrutiny further revealed that new vend registers were not issued in six cases during the year 1999-2000 in the under-mentioned cases. The entries were being made in old registers.

Table 5.7.14: Maintenance of vend registers

Sl. No.	License No.	Name and vendor	Date of receipt/ issue new register
1	382	Sh Lakender Pal Singh	23.8.2001
2.	491	Sh Mahmmad Imran	not traceable
3.	498	Sh Rashid Ali/ Rajesh Kumar	3.4.2001
4.	502	Sh V.K Sehwat	31.1.2001
5.	504	Sh Rahul Budhiraja	5.10.2000
6.	505	Smt Rachitra Sharma	8.11.2001

The above position clearly indicates non-compliance of the above cited provisions which enables obvious malpractices and manipulation of information recorded in the registers. The Department stated that non-submission of the vend registers on the part of vendors would be viewed seriously leading to cancellation of license of the vendor.

5.7.15 Internal controls

Ineffective internal controls.

The Internal Audit Wing of the Finance Department of the Delhi Government had not conducted any inspection of the Department. No periodicity, either annual or biennial, has been prescribed for conducting internal audit. Evidently, there was no effective internal check mechanism in operation.

In December 2003 in the aftermath of the outbreak of the Telgi scam, the Finance Department got conducted a special audit of the sub-Registrar Mehrauli through its Directorate of Internal Audit for the period from January to March 2003 which brought out *inter alia* the following:

- Treasury issue number assigned on stamp papers were not traceable in four cases in the treasury daily sales register;
- Classified numbers of stamp papers worth Rs. 100 crore received from ISP, Nasik were not recorded in the invoices;
- Use of unverified stamp papers worth Rs. 11.75 lakh during January to March 2003;
- Less stamp papers were used than that purchased from the Treasury Office;

- Instances of duplicate numbers or missing numbers in daily sales register; and.
- Classified number was not recorded in double lock stock registers as well as in single lock stock register;

There was an evident need to strengthen the internal controls within the Department and make such inspections both effective as well as periodical rather than ad hoc as at present.

The Department stated that Internal Audit teams would be constituted for each district to audit/inspect various aspects of stamp duty in the organized sector/offices wherever possible and bring to the notice of the department any violation thereof for remedial measures.

5.7.16 Conclusion and recommendations

Review of the administration of the Indian Stamp Act read with the Delhi Province Stamp Rules revealed absence of any mechanism to expeditiously detect possible leakage of revenue and loss to the State exchequer. There was a clear loss of revenue of at least Rs 118.17 crore due to short affixing of stamp on transaction of shares and unverified stamp papers. The system was exposed to the possibility of fraudulent usage of stamps and use of stamp papers not sold by Delhi Treasury/unauthorized purchase of stamp papers. Based on the audit findings, the following recommendations are made:

- The Delhi Treasury should be computerised enabling linkage of issue of stamps by the Treasury Officer with registration of the documents in the sub-Registrar offices;
- Functioning of the Treasury in Delhi should be de-centralised for purposes of both sale of stamp as well as registration of instruments facilitating close monitoring and control. This could be accompanied by instructions requiring registration of documents with specific registrars depending on location of the property, residence of the executant or subject matter of the registering instruments;
- A suitable mechanism to link and monitor value of shares sold and stamps affixed everyday should be established in association with the Stock Exchanges;
- A system of coding and numbering of stamps making them State specific as well as if feasible, Treasury specific should be devised so as to enable monitoring of sale of stamps and linking with the registered documents for verification of their authenticity when required; and

- There should be close monitoring of stamp vendors and it should be ensured that all necessary records are duly maintained and periodically inspected.

The Department stated that it proposes to initiate steps for computerization of sub-Registrar offices and of the Delhi Treasury and to establish sub-treasuries in Delhi in order to ensure greater transparency and effective control.

Annex –IV
(Referred to in paragraph 5.7.7 (ii))
Stamp papers used in excess of issue from Treasury

Sl. No.	Name of the sub-Registrar	Registration No. & date	Treasury issue No. & date	Value of stamp paper used (Rs.)	Value of stamp paper issued by treasury (Rs.)	Value of excess stamp paper used (Rs.)
1.	Seelampur	2404/01.10.99	22408/22.09.99	14,600	14,000	600
2.	Geeta Colony	6187/22.10.02	33724/21.09.02	91,000	39,000	52,000
3.	Mehrauli	12880/23.12.2000	33532/25.11.2000	12,000	4,000	8,000
4.	Mehrauli	8803/18.10.01	28335/17.10.01	1,69,000	9,100	1,59,900
5.	Mehrauli	12704/20.12.2000	35221/08.12.2000	18,000	3,000	15,000
6.	Asaf Ali Road	5881/26.12.2000	27633/05.10.2000	8,000	7,200	800
7.	Asaf Ali Road	4528/20.10.01	28851/19.10.01	9,100	8,100	1,000
8.	Asaf Ali Road	5281/20.12.01	35436/05.12.2000	26,000	11,000	15,000
9.	Asaf Ali Road	5282/20.12.01	35437/05.12.01	26,000	11,000	15,000
10.	Kashmere Gate	4126/17.10.01	22993/18.09.01	32,200	29,900	2,300
11.	Kashmere Gate	4803/11.12.01	22219/07.09.01	1,68,740	1,03,840	64,900
12.	Rohini	11643/17.10.2000	26460/28.09.2000	66,000	36,000	30,000
	Total					3,64,500

Annex – V

(Referred to in paragraph 5.7.11 (i))

Issue of Stamp Papers of/above Rs. 10,000 without specific numbers

Sl. No.	Name of sub-Registrar office	Registration number and date	Treasury issue number and date	Value of stamp papers (Rs.)	Remarks
1.	Seelampur	3,046 dt 09.12.99	30,652 dt. 2.12.1999	38,800	One stamp paper of Rs. 10,000 did not bear specific number
2.	Asaf Ali Road	2,882 dt 30.05.2002	41,340 dt. 10.1.2002	13,000	One stamp paper of Rs. 10,000 did not bear specific number
3.	Kapashera	2,601 dt 12.12.1999	30,985 dt. 8.12.1999	80,000	One stamp paper of Rs. 20,000 did not bear specific number
4	Kapashera	2,493 dt 03.12.1999	28,390 dt. 15.11.1999	81,600	All the eight stamp papers of Rs. 10,000 each did not bear specific number

Annex – VI
(Referred to in paragraph 5.7.11 (ii))
Defective maintenance of delivery register

Sl. No.	Treasury issue No. and date	Value of stamp paper issued (Rs.)	Value of stamp paper recorded in delivery register (Rs.)
1.	30133/29.11.99	9,500	950
2.	38676/19.10.02	52,000	26,000
3.	27843/09.10.2000	10,000	1,000
4.	26869/30.09.2000	32,000	3,200
5.	24000/25.09.01	2,01,500	20,150
6.	28788/16.10.2000	28,000	2,800
7.	43122/12.11.02	22,750	22,050
8.	37562/22.12.2000	40,000	4,000
9.	37853/26.12.2000	32,000	3,200
10.	27120/03.10.2000	39,200	3,920
11.	26863/30.09.2000	24,000	2,400

5.8 Information Technology Review of activities relating to Registration of Vehicles, Collection of Fees and Road Tax and Issue of Driving Licenses by Transport Department of the Government of NCT of Delhi

Highlights

The Department invested Rs.9.84 crore without constituting a Steering Committee and without a formal IT policy or strategy. Consequently, the system suffered from a number of deficiencies.

(Paragraph 5.8.6)

Networking of Headquarters office with zonal offices and the National Crime Records Bureau could not be achieved despite incurring of expenditure of Rs.72.53 lakh. Expenditure of Rs.28.35 lakh on leasing of MTNL lines proved to be infructuous.

(Paragraph 5.8.7)

There were a large number of cases of duplicate chassis numbers and engine numbers which were not only illegal but was also fraught with risk of plying of invalid/stolen vehicles.

(Paragraph 5.8.8(i))

There was no check to ensure that the insurance cover filed for a particular vehicle was not re-used for registration of other similar vehicles. Test check revealed that there were in fact a large number of cases of registration of two or more vehicles with the same Insurance Cover Note.

(Paragraph 5.8.8(ii))

The system lacked proper validation checks and the database was both unreliable and incomplete. Test check of five zones revealed net short levy of fees of Rs.14.09 lakh attributable to lack of proper validation, incomplete and incorrect information and failure to integrate the database of different zones.

(Paragraphs 5.8.8 (iv) & (viii))

Potential revenue of Rs. 26.32 crore was blocked due to non-disposal of challans. Moreover the possibility of unauthorised disposal of challans could not also be ruled out.

(Paragraph 5.8.8 (vi))

The Department failed to realise Rs. 21.44 lakh from M/s HCL Info-systems Ltd for licences issued exceeding 2.5 lakh per year as per the terms of the contract.

(Paragraph 5.8.10)

5.8.1 Introduction

The Transport department of the Government of NCT of Delhi is responsible for framing policies and implementing programs for improvement of the public transport system in the NCT of Delhi. It is also entrusted with the administration and enforcement of the Motor Vehicles (MV) Act, 1988, and rules made thereunder. The Transport department has undertaken computerisation of all its major operations such as registration of vehicles, collection of road tax and issue of permits, driving licenses, fitness certificates, pollution control certificates etc.

5.8.2 Organizational set up

The Transport department is headed by the Secretary-cum-Commissioner (Transport) who is assisted by two Additional Commissioners, two Joint Commissioner and six Deputy Commissioners. The Department has nine zonal offices¹ headed by Motor Licensing Officers.

The computerisation activities in the Department are under the charge of the Addl. Commissioner (Transport) who is assisted by a Deputy Commissioner (Computers) along with Programmers, Assistant Programmers, Console Operators and Data Entry Operators. The post of System Analyst which is critical to the computerization efforts has been lying vacant since February 2002.

5.8.3 Audit scope and methodology

The scope of Information Technology (IT) audit of the Transport department included examination of controls in selected operational applications, viz. registration of vehicles and its allied activities and collection of fees and road tax with the objective of ensuring the accuracy and comprehensiveness of the

¹ Tilak Marg, Sheikh Sarai, Janakpuri, Loni Road, Sarai Kale Khan, Ashok Vihar, Anand Vihar, Palam and Burari

data and the effectiveness of its application in the management of registration of vehicles and realization of fees/ road tax. Audit also examined the outsourcing of issue of driving licenses. The IT audit of the Department was conducted during July 2003 to December 2003 and covered the period from 1998-99 to 2002-2003. The data pertaining to Headquarters office and four zonal offices² was analyzed using Computer Assisted Tool, namely IDEA³. In addition, the adequacy of the hardware system and software purchased and the general operational controls were also assessed. The audit findings were communicated to the Government in May 2004. The comments of the Government were received in September 2004 and they have been incorporated in the review.

5.8.4 System acquisition and implementation

In April 1991, the department in consultation with the National Informatics Centre (NIC) decided to computerize and network certain areas of its functioning through an 'On Line Transaction Processing (OLTP)' system. The primary objectives of the computerization were:

- to create a sound record management system wherein data was safe, protected, easily assessable and retrievable;
- to provide an efficient and reliable OLTP;
- to provide one point service to a citizen of any zone at any of the zonal offices;
- to improve public orientation and eliminate inconvenience, harassment, discrimination and corruption; and
- to improve the effectiveness of implementation of the provisions of the MV Act and the rules made there under.

NIC was to undertake the entire process of systems study, systems analysis and designing, software development and implementation on an UNIX/Oracle platform as well as the procurement and installation of the hardware and equipment. No provision for recovery of liquidated damages for default on the part of NIC was however, made in the Memoranda of Understanding (MOU) despite directions of the Standing Finance Committee (SFC). In December 1994, NIC revised the estimate from Rs. 1.64 crore to Rs. 2.43 crore to cover six additional sites. The SFC in October 1995 approved Rs. 1.87 crore subject to the stipulation that provision of time schedule for completion of the project

² *Anand Vihar, Janak Puri, Loni, Burari*

³ *Interactive Data Extraction and Analysis*

and liquidated damages for non-completion of the project should be incorporated in a revised MOU. However, the department failed to comply with these directions of the SFC and entrusted the job of computerization of the six additional sites to NIC without revising the MOU. An advance payment of Rs. 2.45 crore made to NIC during March 1992 to March 2003 was accounted for as final expenditure without obtaining detailed account supported by suppliers' invoices from NIC.

The computerization project entrusted to NIC was to be completed in four phases within one year of commencement of each phase. The actual date of completion of the activities in each phase along with their present status is as shown in Annex - VII. It was seen in audit that the time frame of one year contemplated in the MOU with NIC could not be adhered to and some of the activities in the last phase of the program have in fact yet to be computerized despite lapse of over 11 years since the initiation of the computerization program.

The department stated that increase in cost was due to currency devaluation and technology up-gradation. It added that a penalty clause was required only where the services were taken on commercial basis and NIC was a government agency and had provided their services without any consideration. The reply is not tenable because the SFC had specially directed the department to include a provision for liquidated damages in event of default. Even if the NIC is a government agency, involvement of public interest and public money requires that unjustified delay is penalised and responsibility fixed.

The department also stated that timeliness could not be adhered to as there was subsequent increase in the scope of work and technology up gradation to meet user requirement. The fact remains that their should have been a regular review of the action plan so as to set time targets taking into account actual user requirements and technology upgrades. A time schedule is rendered meaningless if it is deemed to be open-ended.

5.8.5 Lack of documentation

Lack of proper documentation.

A proper System Analysis and Design requires that the system proposed to be developed should be properly documented for each module. It was, however, observed in audit that the department did not have a proper written and authenticated documentation of the modules developed and implemented as of April 2004. Resultantly, the system was not user friendly as it lacked the necessary details of installation procedure, screens available for data entry, input and output files, linking of files including remedies for correction of error and generation of reports. The department admitted that NIC had not delivered any technical document and user manuals. It was added that the department will insist on such documentation in future

5.8.6 *IT policy and strategy*

Lack of Steering Committee or IT strategy necessary to guide and monitor execution of computerization efforts.

Rs. 9.84 crore invested without formal IT policy & strategy.

Taking into consideration the nature and magnitude of the project, a formal Steering Committee should have been constituted to provide the necessary direction and guidance to the computerization efforts as well as monitor the progress of implementation. There should also be a formal and properly documented 'Information Technology Strategy' duly approved by the senior management before any major investment is made in IT.

Scrutiny of the records revealed that the Transport department neither initiated any action to constitute a Steering Committee to formalize an IT strategy for computerization of its various activities nor did it carry out a proper documented study of its IT requirements. The department incurred an expenditure of Rs. 9.84 crore during 1988-89 to 2002-03 without having any laid down/formulated Information Technology (IT) policy or strategy. In 1996, NIC had highlighted the lack of adequate involvement of departmental personnel in the computerization process. In February 2000, while considering the second phase of the computerization programme, the Finance department had observed that the progress was haphazard and that the Transport department needed to review the entire computerization programme and the agreement with NIC. Consequently, the system suffered from the following deficiencies:

- there is no system to assess the arrears of road tax and to generate a list of defaulters;
- there is no system to work out fines and delayed payment of road tax and delay in registration of vehicles;
- there is no system to apply pre-defined/revised rates on various activities; and
- there is no system to generate lists of defaulters of fitness certificates i.e. vehicles plying without renewal of fitness certificates which is essential for any valid registration.

The above deficiencies could have been tackled had there been a proper Steering Committee to regularly guide and periodically review the progress and initiate timely remedial steps during execution of the project.

The department stated that the computerization had been initially started on the recommendation of a committee and the Directorate of Economics and Statistics was coordinating the work and the department had moved in a planned way towards adding functionalities to the software and a number of activities had been computerized over the years. It was however, evident in

audit that given the deficiencies which existed, there was an evident need for a formal Steering Committee to implement and monitor a defined strategy.

5.8.7 Networking of Headquarter office with zonal offices and the National Crime Records Bureau

Networking was not operational even after lapse of five years and expenditure of Rs.72.53 lakh.

The Secretary-cum-Commissioner (Transport) emphasized in July 1995 the need to expeditiously link all zonal offices with the Headquarters and the National Crime Records Bureau (NCRB). The department also proposed in August 1998 the storage of all zonal data relating to registration, permits, road tax and challans, etc. in the central server at the Headquarters along with complete back-up. The linkage with the zonal offices and the NCRB was to be established through the central server to be connected through lines leased from MTNL. Rupees 28.35 lakh was paid to MTNL for 21 leased lines during January 1996 to April 2001. The central server was purchased and installed in February 2001 at a total cost of Rs. 44.18 lakh. However, the MTNL lines were subsequently discontinued in May 2001 as connectivity could not be made operational due to inter-connectivity problems since the zones were spread over different telephone exchanges. The process of connecting all the zones on line is yet to be completed as of April 2004. Thus, the Management Information System envisaged at Headquarters could not be made operational even after an expenditure of Rs. 72.53 lakh and lapse of five years thus defeating one of the primary objectives of computerisation. The expenditure of Rs. 28.35 lakh spent on the MTNL lines also proved to be infructuous. The department stated that the non-availability of leased lines was due to technical fault of MTNL or default in payment by the department and after making pending payments most of the lines are now in working order. The department also stated that it has made advance payment for six months to MTNL for ISDN telephone lines to avoid disconnections. The reply is not tenable as leased lines were discontinued with effect from 1st April 2001 rendering infructuous the expenditure of Rs. 28.35 lakh incurred on them.

5.8.8 Evaluation of application controls and data analysis

There were 6,963 cases of duplicate chassis and engine numbers in five zones.

(i) Duplicate chassis and engine numbers

Chassis number and engine number are unique identification marks of a vehicle which are essential for the purpose of its registration under the provisions of the MV Act and rules made thereunder. It was, however, noticed in audit that there was no validation check in the system to enable the registering authority to ensure that a vehicle with its unique identification is not re-registered again without cancellation of the previous registration. Moreover, chassis and engine numbers were not being fed in full and only a part of these numbers were fed into the system which left open the possibility of duplicate registration. In addition, it was also observed that due to lack of

networking of headquarters office with zonal offices, the possibility of the same vehicle getting registered in different zones could not be ruled out.

A sample test in audit revealed a large number of cases of duplicate chassis and engine numbers in headquarters office and the four zonal offices as tabulated below:

Table 5.8.8 (i): Duplicate chassis and engine numbers

Zones	Number of records where chassis & engine numbers were found duplicate
Headquarters	2,270
Anand Vihar	233
Janak Puri	1,756
Loni	2,068
Burari	636

Duplicate chassis and engine numbers are suggestive of duplicate registration of a single vehicle. For a more detailed scrutiny, audit requested for 140 files of such cases detected from the system. However despite constant pursuance, the department furnished only 12 files to audit, which revealed duplicate registration made against the same single chassis/vehicle as below:

Table 5.8.8 (i): Details of vehicles having duplicate registration

Sl. No.	Ist regn. number	Name of owner	Common chassis number	IInd regn. number	Name of owner
1	DL1CH 598	Ms JASMEET KAUR	MAH17862-08033355	DL2CX0096	M/S GULATI BROS.
2	DL1CH0816	M/S P.S. CARS (P) LTD	19M03E044089	DL1CH1138	Mr. R.C. PRABHU
3	DL1V6084	M/S GENICHE(P) LTD	LF50100634505/00	DLIV6080	M/S GENICHE(P) LTD
4	DL1P4343	SH KHUSHWANT SINGH	344350422386	DL1P7676	SH KHUSHWANT SINGH
5	DL1CH2035	SH DINESH KR JAIN	MALAC51GR1M136979	DL1CH2181	SH DINESH KR JAIN
6	DL1RF6099	SH ASHOK KUMAR	AFFBGM14708	DL1RF7449	SH JILAY SINGH

Such duplicate registration of the same vehicle is not only illegal but is obviously fraught with the risk of plying invalid/stolen similar vehicles as well as insurance irregularities by declaring non-existent vehicles as stolen. There was an evident need for the department to investigate the matter in depth to root out such irregularities.

The department while admitting the instances of duplicate numbers attributed it to incomplete feeding of data or conversion of vehicles from commercial to private and vice-versa. It added that a unique identification code has since

been implemented. The reply is not tenable because data entry error could not result in both the engine and chassis number being the same. The department remained silent as to the action taken on the specific cases brought out in audit.

(ii) Registration of two or more vehicles with same Insurance Cover Note

Every vehicle has to be insured before registration under the provisions of the MV Act and rules made thereunder. A valid insurance certificate is required to be furnished along with an application for registration. A test check revealed that the registering authorities did not verify whether the insurance cover submitted along with the application for registration of vehicles was actually valid or not. Moreover, there was no validation check in the system to ensure that the insurance cover filed for a particular vehicle is not re-used for registration of other similar vehicles.

Test check in audit revealed that the insurance company and its cover notes for a particular vehicle/owner were common for two or more vehicles in a number of cases as tabulated below:

Table 5.8.8 (ii): Registration of two or more vehicles with same Insurance Cover Note

	Hqrs.	Anand Vihar	Janak Puri	Loni	Burari
Number of records where two or more vehicles were having common Insurance Cover Note	72,016	30,948	47,971	11,347	8377

A physical check of 110 records/files of Burari, Mall Road and Headquarters zones furnished to audit confirmed that there were two or more/multiple registrations of vehicles against one and the same insurance cover note and often the chassis and engine numbers of the vehicle were not mentioned in the cover note for proper identification. In Burari zone, the computerized records showed 28, 33 and 40 cases of registration of vehicles against Insurance Cover Note Nos. 05,75,146, 06,04,569 and 02,30,099 respectively out of which correctness of multiple registrations of 7, 12 and 12 cases against each cover note was test checked and verified in audit as shown in the Annex - VIII.

Department accepted the objection and stated that such checks would be incorporated in the new software. However, it remained silent about the action taken on the specific cases brought out in audit.

(iii) Lack of continuity of Registration Numbers

Lack of continuity in series created potential for misuse of numbers.

In a single series, 9,999 vehicles (i.e. upto four digits) can be awarded a registration number (0001 to 9999). Registration numbers should be awarded in a sequence to monitor the year of the registration (model) of the vehicle. A test check of the database revealed that registration in a subsequent next series was started even before the ongoing series was exhausted. Hence, numerous registration numbers in a series were found missing. The number of Registration Numbers missing in four series test checked in audit was as under:

Table 5.8.8 (iii): Lack of continuity of registration numbers

Zones	No of registration numbers found missing in a single series test checked
Anand Vihar	866
Janak Puri	539
Loni Road	2,311
Burari	4,105

Under the circumstances, the misuse of these numbers by vehicles not having valid registration could not be ruled out.

Admitting the audit observation, the department stated that the dealers having self-registration facility provided data in floppies and sometimes the system did not read the floppies properly and gaps were created. It was evident from the reply that the system did not have any mechanism to monitor the issue of numbers by the dealers having the self registration facility.

(iv) Incomplete database

It was observed in audit that the database was incomplete and did not have certain essential information viz.:

- information relating to calculation of fines and reasons there for was not available;
- the relevant table did not have any column for the date of applicability of the rate of fee; and
- mandatory fields that are required to identify the ownership of a vehicle were left blank. The results of test check of the database of five zones are as below:

Table 5.8.8 (iv): Incomplete database

Fields left blank	Hqrs.	Anand Vihar	Janak Puri	Loni	Burari
Owner name	299	9	21	19	4
Father name	1,29,712	51,338	1,01,503	35,682	2,264
Address	5,852	410	1,414	1,456	1,077
Engine number	6,017	412	1,406	1,496	1,281

Inaccurate data relating to Fitness Certificates reflecting violation of Motor Vehicles Act and Rules.

Mandatory fields required to verify the period of road tax were left blank (i.e. the date up to which the road tax was charged). In the absence of this vital information, the Department was unable to generate the list of the defaulter vehicles running without paying the road tax. The field meant for the receipt number was also left blank. During the test check of database of five zones it was observed that both 'From date' & 'To Date' and 'Receipt No' were left blank ranging from 83 to 1,42,896 and three to 1,12,756 records respectively.

The department attributed the incomplete information to huge backlog of data entry. It added that NIC had been instructed to incorporate period of applicability of fee rate in its software and that the mandatory fields should not be left blank.

(v) Lack of monitoring of blank RC forms

Lack of control of Registration certificates.

Registration certificate (RC) is an important document for identification of the vehicle. Every RC has a serial number. During test check, it was observed that the department did not have any mechanism to monitor the use of blank RC forms. For instance in case of Headquarters zone, it was found that the total number of registered vehicles as per the database was 4.43 lakh whereas RCs printed as per the database was only 9,445. Moreover, in 8,725 out of these RCs, the field meant to keep the serial number of the RC form was left blank. Similar position was found in case of other zones also. In the absence of proper monitoring of the RCs, the genuineness of RCs issued could not be ascertained and use of false RCs could not be ruled out.

The department stated that the facility to record the serial number of the RC was not provided by the NIC but a flag is always created when the RC is printed. The reply is not tenable because the field for RC serial number is available in the database and data was entered in some of the cases.

(vi) Challans not disposed off

Possibility of unauthorized disposal of challans.

The 'CHALLAN' table of the database represents challans issued by the Enforcement Wing of the Transport department for overloading, incomplete documentation, etc. A test check of the data base revealed a number of challans lying undisposed. It was also noticed that in disposed off challan cases, the information regarding 'disposed by' and 'disposal date' was not available in over 50 to 65 per cent as tabulated below:

Table 5.8.8 (vi): Challans not disposed off

	Hqrs. Zone	Burari
Total number of records in challan table	5,36,349	3,621
Challans not disposed off	3,12,530	627
Challans disposed off	2,23,819	2,994
Disposed by & disposal date were left blank	1,21,173	1,970

Potential revenue or Rs. 26.32 crore blocked.

The disposed off figure shown above differs from the table depicting disposed of challans along with fine recovered. Considering the fact that the department has received Rs. 10.96 crore from 1,30,592 disposed off challans and taking into account, the revenue recovered by the way of fines from disposed off challans, potential revenue of Rs. 26.32 crore remained blocked due to non-disposal of challans. Moreover, the possibility of unauthorized disposal of challans could not also be ruled out.

The department stated that the discrepancy could be due to the fact that it had no way of confirming from the court about the disposal of challans. The reply is not tenable as the Department should evolve a mechanism to monitor the disposal of challans from the point of view of both enforcement as well as collection of revenue.

(vii) Inadequate process controls

During a test check of the database, it was revealed that the system lacked adequate process controls. Consequently, the department failed to maintain complete and correct database as could be observed from the following paragraphs.

(viii) Fee charged not matching with rates given in master tables

A test check revealed that the fee actually charged given in the 'ACCOUNT' table should match with rate of fee to be charged given in 'ACTION' table. But these did not match in all the cases. In some cases, the fee charged was less while in other cases, it was more. The result of a sample test of five zones for the period September 2001 onwards revealed that in 13,702 cases records did not match which resulted in short levy of Rs. 14.09 lakh as tabulated below:

Table 5.8.8 (viii): Fee charged not matching with rates given in master tables

(Rupees in lakh)

Zones	No. of records that did not match	Amount charged in excess	Amount charged short	Net effect (+) Excess (-) Short
Headquarters Office	1,537	0	1.10	(-)1.10
Anand Vihar	9,682	0.02	13.22	(-)13.20
Janak Puri	272	0.25	0.26	(-)0.01
Loni	302	0.31	0.02	(+)0.29
Burari	1,909	0.23	0.28	(-)0.05
Total	13,702	0.81	14.88	(-) 14.09

In case of Headquarters office, the fee actually charged did not match with the rate of fee given in 5,769 records out of a total of 18,373 records viz. in over 31 *per cent* of the cases. In case of Burari zone, in 11 records the permit fee charged did not match with rate of permit fee.

The above discrepancies were indicative of the inaccuracy of the fees charged from members of the public arising from inadequate process control of validation checks.

The department stated that to the best of their knowledge all the validation checks were in place. However, the reply of the department is not tenable as it failed to take action on the specific instances brought out in audit which had been brought to their notice way back in October 2003.

(ix) Incorrect data relating to fitness certificates

As per the MV Act, and the rules made thereunder, the roadworthiness/fitness of a vehicle and issue of fitness certificate is a pre-requisite for its registration. It was however observed in audit that the actual date of fitness was not available in the database but the next fitness due date was available. The actual fitness date arrived at by subtracting 15 years from the fitness due date was found later than the registration date in a number of cases of private vehicles which indicated that the vehicle was registered without having the fitness certificate. A sample test of four zones of such cases is given as below:

Table 5.8.8 (ix): Incorrect data relating to fitness certificates

Zones	Number of records where fitness date is later than registration date
Headquarters	537
Anand Vihar	2,307
Janak Puri	2,978
Loni	3,376

Such inaccurate data is reflective of violation of the provisions of the MV Act and rules and a pointer to lack of process controls.

The department stated that owners do not mostly report for refitness of their vehicles. The reply is not tenable because the audit observation was regarding registration date prior to the fitness date and not about the refitness of the vehicle.

(x) Blank/wrong registration date

During the course of test analysis, it was observed that the date of registration date field was left blank in a number of cases. In Burari zone, the registration date was beyond the present date in three records.

The department stated that they were in the process of debugging the system.

(xi) Modification/change control procedure

No change control procedure formulated.

It was noticed in audit that the department had carried out need based changes and modifications from time to time without following any such procedure as mentioned above. It also did not maintain any records in respect of the modifications. The department stated that any modification/change required is intimated to NIC which carried out the changes after due testing. The reply is not tenable because there was evidently no set procedure for such changes prescribed formally by the department.

It was also noticed that the system lacks any audit trail to track changes made in the database as well as in the software which is useful in tackling complex technical, legal and financial problems. For instance, during a test check of 'challan' table, it was observed that the 'enter by' field was left blank in 1,21,173 records. The department admitted that NIC had not included the audit trail module in the software on the ground that it would slow down the system. However, proper tracking was included in the software. The reply is not tenable as without audit trail the frequent changes in the database can not be properly tracked.

5.8.9 *Out-sourcing of driving license*

Computerization of driving licenses was assigned to NIC for completion by the end of September 1993. However since NIC had omitted to provide for image processing in driving licenses, the department entrusted in March 1998 the task of computerization of driving licenses to M/s HCL Info-systems Ltd. after inviting open tenders in March 1997. As per the terms of the contract, the firm was to undertake the task on BOOT (Build Own Operate Transfer) basis. The firm was entitled to charge prescribed rates for issue of the driving licenses. After expiry of five years to be reckoned from the date of full operation of the system at all the zonal offices, it was to be transferred to the department on payment of residual charges of five *per cent* of the cost of the system. The detailed cost of the system was to be furnished by the firm within 15 weeks of signing of the agreement to enable calculation of the residual cost at the expiry of the five years period. The system at the zonal offices was installed and commissioned between July and December 1998.

Department had no information as to cost of system which was necessary to assess its residual value.

It was noted in audit that the department had no information as to the detailed cost of the system which was required to assess its residual value. However, M/s HCL projected in December 2003 a total investment of Rs. 1.50 crore on all front-end systems and Finger Print software at the Headquarters. But the department has yet to confirm this figure. Further, though front-end activities meant for issue of driving licenses are carried out by the firm as per the agreement, the department is not in a position to take over the task and operate it on its own.

For the back end system, M/s HCL was to develop application software and furnish application codes of different modules along with a test report within six weeks of commissioning of the central server and acceptance of the application software. However, there is no evidence on record to indicate that this task has been accomplished. Similarly, loading and testing of application software in the back end system was to be completed within nine weeks of installation and commissioning of back end hardware. However, nothing has been done in this respect.

Expenditure of Rs.10.10 lakh rendered unfruitful due to non-completion of prescribed tasks.

The firm was to be paid Rs. 27.10 lakh towards (a) consultancy charges for System Requirement Study (SRS), System Designing Document (SDD) and Information System Planning (ISP), and (b) for system development, testing, implementation, data porting, training and maintenance. It was noticed in audit that the firm failed to carry out the tasks mentioned at (b) for no valid reasons. Tasks given at (a) though completed at a cost of Rs. 10.10 lakh was not fruitful without completion of the other tasks mentioned at (b).

The Department stated that after completion of task (a) above at a cost of Rs. 10.10 lakh, a tender was floated for setting up the central server. But due to objections raised by the Finance department to the participation of HCL in the tender process as it was a consultant for the implementation of backend activity at Headquarters, the tender process was stopped. It was added that the department was now in the process of introducing a Smart Card Based Driving Licenses which would supersede the earlier system

5.8.10 Non-realisation of dues from M/s HCL Info-systems Ltd.

According to the terms of the agreement, 2.50 lakh driving licenses were expected to be issued during each year of the contract period. In case of any shortfall due to less number of successful applicants for driving licenses, the firm was to be compensated for the amount equal to the shortfall. In the event of issue of driving licenses in excess of 2.50 lakh, the firm was to pay the department at specified rates. For this purpose, the firm was required to furnish to the department a consolidated monthly report of driving licenses issued by each zonal office.

The firm issued 3.06 lakh licenses during the period from 23 December 1998 to 22 December 1999 and paid Rs. 4.58 lakh to the department for 55,508 licenses issued in excess of 2.50 lakh. It was however noticed in audit that the firm did not disclose the number of licenses issued during the earlier period from 22 July 1998 to 22 December 1998 when it was installing and operationalising the system at the eight zonal offices. Similarly, no information about driving licenses made/issued each year after 22 December 1999 was made available to the department and the department also did not insist on furnishing of this critical information.

After this was pointed out by audit in November 2003, the department furnished in February 2004 information in respect of total number of driving licenses issued by the firm during the three years from 23 December 1999 to 22 December 2002. Though the department stated that the backup copy was available with its computer branch, it could not furnish the requisite information for the periods from July 1998 to 22 December 1998 and from 23 December 2002 to 23 December 2003. However, as per information supplied

by department in respect of the licences issued⁴ during the last four years, a sum of Rs. 21.44 lakh was due from the firm. The department had not initiated any action to realize the dues.

The department stated that due to unsatisfactory performance of the Finger Print Matching software, the Finance and IT departments had recommended withholding of the payment of Rs. 50 lakh for M/s HCL. Consequently, HCL stopped the payment in respect of excess issuance of driving licenses. The matter was under discussion with HCL. The reply is not tenable as both the activities were different from each other and the department should have insisted for its dues arising from excess issuance of driving licenses without linking it to the matter of the finger print matching software issue.

5.8.11 Conclusion

The Transport department had incurred an expenditure of Rs. 9.84 crore as of March 2003 on computerisation of its activities including registration of vehicles and allied services, calculation/collection of fees and road tax, issue of permits, etc. In absence of a formal IT strategy and supporting policies and procedures, the applications lacked essential internal controls and validation checks. In the absence of the integrated database at Headquarters as well as in the 10 zonal offices, the very purpose of computerization to provide an efficient and reliable OLTP or to provide one point service to the applicant of any zone at any of the zonal offices without undue inconvenience or harassment remained unachieved.

⁴ Licenses issued during 23/12/99 to 22/12/2000, 23/12/2000 to 22/12/2001, 23/12/2001 to 22/12/2002, 23/12/2002 to 23 12/2003 were 312776,306780,313690 and 309688 respectively

Annex - VII

(Referred to in paragraph 5.8.4)

Details of actual date of completion of activities relating to computerization of Transport Department in each phase alongwith their present status

Phase	Activities to be computerized	Starting date	Status as of April 2004
I	Registration and road tax payments of non commercial and commercial vehicles at Headquarter.	23 March 1992	The on-line registration of non-commercial and commercial vehicles was started with effect from 1 September 1992 and 1 January 1993 respectively while road tax activity was started with effect from 1 December 1995.
II	Registration and road tax payments at zones.	Ist week of April 1992	Registration work in zones was started between February 1995 and January 1998 while road tax activity was started from December 1995.
III	All operations of Permits.	To be implemented gradually	Issue of permits of commercial vehicles commenced with effect from January 1994 while collection of permit fees was computerized from October 1996.
IV	All other activities like driving licenses, pollution control, fitness checking of vehicles enforcement of provisions of MV Act and Rules etc. at the Headquarters and zonal offices.	--	While activities like pollution check, enforcement, fitness checks were computerized during May 1995 to December 1997, other activities like administration & accounts, planning, research & development, file management and vigilance were yet to be computerized.

Annex -VIII

(Referred to in paragraph 5.8.8 (ii))

Registration of two or more vehicles against the single Insurance Cover Note

Sl. No.	Cover note number	Regd no of vehicle	Owner name	Model	Date of Regd.
1	0575146	DL1RF7857	RAKESH	TSR	18.5.01
2	-DO-	DL1RF2169	RAKESH KUMAR	LGV	9.4.03
3	-DO-	DL1RF9127	ASHOK KUMAR	TSR	6.6.01
4	-DO-	DL1LF2212	PAPER & CARD WARES	LGV	16.4.03
5	-DO-	DL1LF2141	DHARAM SINGH	LGV	7.4.03
6	-DO-	DL1LF2207	YOGESH UMAR	LGV	16.4.03
7	-DO-	DL1RC1463	OM PRAKASH	TSR	30.7.98
8	0604569	DL1LF2008	CHOTTU PARSAD	LGV	21.3.03
9	-DO-	DL1LF2388	M/S CUSINE	LGV	7.5.03
10	-DO-	DL1LF2300	ASHOK KUMAR SHARMA	LGV	24.4.03
11	-DO-	DL1LF0782	MANISH KUMAR	LGV	22.12.02
12	-DO-	DL1LF2148	DIMPLE CREATIONS	LGV	7.4.03
13	-DO-	DL1RG8422	PREM PRAKASH	TSR	14.8.03
14	-DO-	DL1RD8979	ROHAN LAL	TSR	3.12.01
15	-DO-	DL1LF2420	AMIR AHMED	LGV	2003
16	-DO-	DL1LF2366	MANJEET SINGH	LGV	3.5.03
17	-DO-	DL1LF0888	MANISH KUMAR	LGV	21.11.02
18	-DO-	DL1LF0882	RAMESH	RGV	3.2.03
19	-DO-	DL1LF2372	M/S PREMIER	LGV	5.5.03
20	0230099	DL1LF2210	SABIA OVERSEAS	LGV	16.4.03
21	-DO-	DL1RD0493	S.CHAND	TSR	16.3.99
22	-DO-	DL1LF2269	AKASH PAPER AGN	LGV	21.4.03
23	-DO-	DL1LF2216	KHILLU RAM	LGV	16.4.03
24	-DO-	DL1LF2299	SUNIL KHURANA	LGV	24.4.03
25	-DO-	DL1LF2511	MUSTKEEM AHMED	LGV	24.8.03
26	-DO-	DL1LF2506	SWANPAPER PRODUCTS	LGV	26.5.03
27	-DO-	DL1LF2264	SUMAN	LGV	21.4.03
28	-DO-	DL1LF2324	SUSANPAL	LGV	5.5.03
29	-DO-	DL1LF2203	SURESH CHAND	LGV	16.4.03
30	-DO-	DL1LF2418	RAJ SINGH	LGV	12.5.03
31	-DO-	DL1LF2298	UNITED WORLDWIDE	LGV	27.11.03
32	0502838	DL1RC4698	MOHD J AREET	TSR	10.11.98
33	-DO-	DL1RD8859	PRAKASH SHAH	TSR	27.12.99
34	0292609	DL1RF6719	HANS RAJ	TSR	2.5.01
35	-DO-	DL1RF5227	MOHD HAIDER	TSR	31.3.01
36	0393665	DL8SY0049	SANJAY DHIR	CAR	19.3.02
37	-DO-	DL9CG0070	V.C. MAINI	CAR	14.3.02
38	0806559	DL1CH4112	INDER SAIN & SONS	CAR	24.9.01
39	-DO-	DL1CH4101	ASIAN STEEL	CAR	21.9.01
40	0654642	DL1SM7895	RAJAN GUPTA	CAR	8.6.01
41	-DO-	DL1SM7872	BIL TECH ENG	CAR	4.6.01
42	0686581	DL1SM7810	PRAMOD DABRAL	CAR	23.5.01
43	-DO-	DL1SM7875	MAHARAJ SINGH	CAR	6.6.01
44	0942531	DL1CH2035	DINESH KR JAIN	CAR	22.01.01
45	-DO-	DL1CH2181	DINESH KR JAIN	CAR	3.2.01

Report on Government of NCT of Delhi of 2005

46	0408673	DLICH3715	BUNNY AGENCIES	CAR	27.7.01
47	-DO-	DL1CH2576	JOGINDER SINGH	CAR	21.03.01
48	0729171	DLISM7946	KUBER ENTERPRISES	SCOOTER	21.06.01
49	-DO-	DLISM7995	AZIZ AHMED	SCOOTER	30.06.01
50	0902909	DLISM9262	ARVIND YADAV	SCOOTER	29.1.02
51	-DO-	DLISM9257	PARSURAM PRAJAPATI	SCOOTER	29.1.02
52	0851499	DL1CH5174	MINDA FINANCE	CAR	2.3.02
53	-DO-	DL1CH5178	MINDA FINANCE	CAR	2.3.02
54	0906970	DLISM9293	SHIV KUMAR	SCOOTER	4.2.02
55	-DO-	DLISM9276	RAJBEER SINGH	SCOOTER	31.1.02

Paragraphs

Sales Tax

5.9 Grant of exemption on statutory forms beyond prescribed limit

Under DST Rules 1975, if statutory forms (ST-I/ST 35/ST 35/1) covers more than one bill, the aggregate of such bills should not exceed Rs. 30 lakh. This limit was raised to Rs. 50 lakh with effect from 24 April 2004.

Test check of the records of five⁵ wards of the office of Commissioner of Sales Tax, Delhi, conducted during April 2003 to March 2004 revealed that the assessing officer while finalizing thirteen cases for the assessment years 2000-2001 and 2001-02 allowed exemption of Rs. 26.38 crore on statutory forms beyond the prescribed limit as stated above. This resulted in short realization of tax amounting to Rs. 1.02 crore. In addition, interest of Rs. 0.42 crore was also leviable.

The matter was referred to the Government in May 2004. The department stated in June 2004 that in 12 cases the issuing authority of statutory forms might have verified the purchase orders before issuing the forms. The reply of the department is not tenable because the Act/Rules does not envisage waiver of the monetary limit of statutory forms having multiple bills. The reply in the remaining case was awaited as of February 2005.

5.10 Irregular grant of exemption

Under the Delhi Sales Tax (DST) Act, 1975, sale of goods made by one registered dealer to another registered dealer are to be allowed as a deduction from the turnover of the selling dealer, on his furnishing a return along with a complete list of such sales duly supported by prescribed declaration in Forms ST-35*, ST-I* or Embassy certificates obtained from the purchasing dealers/

⁵ Ward Nos. 16,48,56,31&100

* ST 35 - Statutory forms used in first point goods.

* ST 1- Statutory forms used in last point goods.

diplomatic missions. Any deviation attracts penalty not exceeding two and a half times of tax avoided and interest on tax at rates prescribed in addition to the tax payable.

Test check of records of ward number 10 of the office of the Commissioner of Sales Tax, Delhi, conducted during April 2003 revealed that in one case, the assessing officer while finalizing the assessments in March 2003 allowed exemption of taxable turnover of Rs. 1.39 crore as against declaration forms of Rs. 90 lakh submitted by the dealer resulting in excess exemption of Rs. 49.24 lakh. This resulted in short levy of tax amounting to Rs. 3.94 lakh alongwith interest of Rs. 1.31 lakh and leviabale penalty of Rs. 9.85 lakh.

After the case was referred to the Government in May 2004. The department stated in June 2004 that an additional demand of Rs. 3.94 lakh has since been recovered as tax and added that charging of interest was not warranted because of the Registered Dealer sales and the question of imposing penalty did not arise because the dealer had applied for rectification themselves. The reply of the department is not tenable because the demand of tax was created at the instance of audit and the interest was thus leviabale due to non deposit of tax in time. Moreover, the dealer requested for rectification in May 2003 after being pointed out by audit.

5.11 Irregular exemption due to mis-utilisation of statutory forms

Under the Delhi Sales Tax Act, 1975, a registered dealer is eligible to purchase raw material against the strength of statutory forms (ST-I) without payment of tax if the same is used in the manufacture of taxable goods or in the course of inter-state trade or commerce.

Test check of the records of three⁶ wards of the office of the Commissioner of Sales Tax revealed during April 2003 to March 2004 that while finalising assessment of five cases for the assessment years 1999-2000 to 2001-2002 between December 2001 and March 2003, the assessing officer failed to notice that the dealers made purchases of raw materials for Rs. 96.23 lakh against statutory forms and sold the goods as tax free good transferred to branch offices in other States. This resulted in non-levy of tax of Rs. 37.87 lakh inclusive of interest and penalty.

The matter was referred to the Government in May 2004. The department stated in July 2004 that an additional demand of Rs. 8.55 lakh was raised in two cases. In the third case, the department stated that raw material purchased on statutory forms were used in the production of taxable sale, export sale and

⁶ *Ward Nos. 57,66 & 105*

inter State sale (ISS). The reply of the department is not acceptable since as per the assessment order, no export sale were made during 2001-02 and goods valued Rs. 13.28 lakh were sold in the State or in the course of ISS or commerce whereas exemption of Rs. 2.49 crore was allowed for sale of tax free goods. Reply in respect of the remaining two cases was awaited as of February 2005.

5.12 Incorrect application of rate of tax

The DST Act specifies the rates of tax on goods or classes of goods payable by a dealer specified in various schedules appended to the Act. Any deviation attracts penalty not exceeding two and a half times the tax avoided in addition to the tax payable.

Test check of records of nine⁷ wards of the office of the Commissioner of Sales Tax, Delhi revealed during April 2003 to March 2004 that the assessing officer while finalizing twenty-four cases relating to the assessment years 1998-99 to 2001-02 assessed between February 2001 and March 2003, levied tax at incorrect rate on turnover of Rs. 148.86 crore. This resulted in short levy of tax amounting to Rs. 12.48 crore. Interest of Rs. 5.21 crore and penalty of Rs. 31.19 crore were also leviable.

The matter was referred to the Government in May, 2004. The department accepted in June 2004 the audit observation valued at Rs. 8.90 lakh in respect of three cases. In five cases, the department contended that 'zarda' is not taxable as tobacco is a tax free item which was not tenable in light of the judgment of the Hon'ble Orissa High Court which has held that 'zarda' is different from tobacco. In eleven cases, department disputed the items being sold or traded by the dealers which was not tenable as the items were clearly mentioned either in the statutory forms/ registration certificates or in the assessment orders. No reply was received in respect of the remaining five cases as of February 2005.

5.13 Irregular grant of exemption on unauthorized sale/ purchase

Under the DST Act, sale/ purchase of goods on the strength of statutory forms made by one registered dealer to another is exempt from tax on his furnishing along with his returns, a complete list of such sales/purchase which are duly authorized in the registration certificate. In case of furnishing incorrect details of his sales/purchases, the dealer shall be liable to pay penalty equal to a sum

⁷ Ward Nos. 4,17,44,62,64,69,78,101,104

not exceeding two and a half times of the amount of tax in addition to tax and interest.

Test check of the records of four⁸ wards of the office of the Commissioner of Sales Tax, Delhi, conducted during April 2003 to March 2004 revealed that in five cases, the dealers sold and purchased goods valued at Rs. 52 lakh and Rs. 51 lakh respectively during the period 1997-98 to 2001-02 not covered by their registration certificates. The assessing authority while finalizing the assessment between September 2000 and March 2003 failed to detect that these transactions were not covered under their certificates of registration. This resulted in non-levy of tax of Rs. 38 lakh inclusive of interest and penalty.

The matter was referred to the Government in May 2004. The department stated in June 2004 that additional demand of Rs. 6.27 lakh was raised in one case while the matter was under examination in another case. In so far as the remaining three cases were concerned, department stated that the items allowed were adhesive tapes which were covered under item "Insulating material" mentioned in the registration certificates. The contention of the Department is not tenable since adhesive tapes fall under category of "other packing material", in the "Codification and Classification Table of the Sales Tax Department" and cannot be considered as insulating material.

5.14 Non levy of tax on sale of assets

Under the DST Act, "business" includes any transaction in connection with, or incidental or ancillary to, such trade, commerce, manufacture, adventure or concern. Sale of any material which is connected with or incidental to the business of the dealer is liable to be taxed. The Supreme Court held⁹ that the definition of business would cover sale of advertisement material, scrap and canteen sales and they would be liable to sales tax.

Test check of the records of six¹⁰ wards of the office of the Commissioner of Sales Tax, Delhi, conducted during April 2003 to March 2004 revealed that in ten cases, dealers sold plant & machinery, vehicles and furniture, etc. for Rs. 1.18 crore during the period 1999-2000 to 2001-02. The assessing officers while finalizing the assessments between November 2001 and March 2003 failed to levy tax. This resulted in non-levy of tax amounting to Rs. 17.49 lakh inclusive of interest.

⁸ Ward Nos 6,15,64 & 65

⁹ 1973 31 STC 426 (SC) *State of Tamil Nadu Vs Barma Shell Oil Storage and distributions of India Ltd.*

¹⁰ Ward Nos.81,101,31,3,83 and 69

The matter was referred to the Government in May 2004. The department stated in June 2004 that additional demand of Rs. 0.49 lakh has been created in one case while four cases were under examination. The reply in respect of the remaining five cases were awaited as of February 2005.

5.15 Non levy of tax on sale of tradable licenses

Under the DST Act, Replenishment Licenses (REP), Duty Entitlement Pass Book Licenses (DEPB), Special Import-Licenses (SIL), quota and other tradable licenses which are granted by the Director General of Foreign Trade (DGFT) in recognition of export of certain products are goods and can be transferred by way of sale. It has been judicially held by the Supreme Court* that the above said licenses are goods and the price received by the holder by the transfer thereof to another person is liable to sales tax.

Test check of records of seven¹¹ wards of the office of the Commissioner of Sales Tax, Delhi revealed during April 2003 to March 2004 that the assessing authority while finalizing the assessments of 10 cases for the assessment years 2000-01 and 2001-02 assessed between July 2002 and March 2003 failed to levy tax on the sale of tradable license for Rs. 7.13 crore. This resulted in non-levy of tax amounting to Rs. 42.57 lakh including interest.

The matter was referred to the Government in May 2004. The department stated in June 2004 that additional demand of Rs. 1.29 lakh has been created in one case. In respect of two cases, it was stated that since DEPB license was sold at Noida office hence it was not taxable in Delhi which is not tenable since the export and amount of DEPB license were made/ received in Delhi Office and hence was taxable in Delhi and not in other States. In three cases, the department stated that duty drawback were received instead of DEPB by the dealers which is not taxable. The reply of the department was not tenable because in two cases the documents available in assessment files clearly shows that DEPB was claimed by the dealer on various invoices of export while in another case, the dealer's account revealed that Rs. 11.96 lakh had been received as REP license. The reply in the remaining four cases were awaited as of February 2005.

* *Vikas Sales Corporation Vs Commissioner of Commercial Taxes (STI 1996-SC-1001)*

¹¹ Ward Nos. 8,12,31,91,100,101,103

5.16 Irregular grant of exemption on export

Under the CST Act, sale or purchaser of goods shall be deemed to take place in the course of export of goods out of the territory of India only if (i) the sale or purchase either occasions such exports or (ii) if the sale is effected by transfer of documents of titles of goods after the goods have crossed the customs frontier of India. Further deduction on account of sale value of goods exported out of India shall be available either on the production of a certificate in the prescribed form from a chartered accountant or the export documents i.e export invoices/ bills of lading/ shipping bills duly verified by the customs authorities.

A test check of the records of three¹² wards of the office of the Commissioner of Sales Tax Delhi, conducted during April 2003 to March 2004 revealed that the assessing authority while finalizing assessments in eight cases for the assessment years 1999-2000 to 2001-02 during September 2002 to March 2003 allowed tax exemption on export turnover of Rs. 13.11 crore on the basis of deficient /incomplete certificates from chartered accountant as the export invoices bills of lading and shipping bills etc were not mentioned therein. This resulted in non-levy of tax of Rs. 1.72 crore including interest.

The cases were referred to the Government in May 2004; their reply was awaited as of February 2005.

5.17 Irregular grant of exemption on invalid statutory form

The CST (Registration & Turnover) Rules, 1957, provide that a declaration in Form –F may cover 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. The declaration in Form ‘F’ should contain full particulars of the goods, mode of transport and date on which delivery was taken by the transferee. Acceptance of defective statutory forms attracts tax and interest.

Test check of records of three¹³ wards of the office of the Commissioner of Sales Tax Delhi, revealed during April 2003 to March 2004 that the assessing officer while finalizing the assessment of three cases for assessment years 2000-2001 to 2001-2002 allowed exemption of taxable turnover of Rs. 5.12 crore supported by declarations in form ‘F’ which covered transactions for more than one month. As such these declarations were invalid

¹² Ward 50,101,104

¹³ Ward No .31,64,105

and the turnover was liable to be taxed. This resulted in under-assessment of tax of Rs. 69.88 lakh including interest of Rs. 18.07 lakh.

After this was reported to the Government in May 2004, the department raised an additional demand of Rs. 55.98 lakh in one case in June 2004, while the replies of two cases were awaited as of February 2005.

5.18 Incorrect allowance of transfer of goods to places not included in the registration certificate

Under the Central Sales Tax, Act, 1956, and rules made there under, a dealer seeking registration is required to specify in his application the list of places of business in other States along with the address of such places and particulars of registration so that the same are mentioned in the registration certificate. Any deviation attracts penalty not exceeding one and a half times the tax avoided, and interest at the rates prescribed in addition to the tax payable.

Test check of the records of ward number 62 of the office of the Commissioner of Sales Tax, Delhi, conducted during April 2003 to March 2004 revealed that in the case of one dealer while finalizing the assessments between August 2002 to February 2003, goods amounting to Rs. 34.49 lakh were exempted from payment of tax by the assessing authority as branch transfer during 2000-01 and 2001-02 to the branch which was not specified in the registration certificates. This resulted in under assessment of tax of Rs. 10 lakh inclusive of interest and penalty.

The matter was referred to the Government in May 2004. The department stated in June 2004 that the dealer made stock transfer to the consignment agent and not and it was not an inter-state sale and hence the exemption had been correctly allowed. The reply is not tenable since in case of consignment agent, there has to be a properly executed agreement between the consignment agents and the dealer. In the instant case there was no such valid agreement.

5.19 Irregular sale of goods against statutory form (ST-35)

Under the DST Rule, 1975 and various notifications issued from time to time, first point taxable listed goods purchased against statutory forms (ST-35) cannot be further sold without payment of tax against the statutory form (ST-35) by the dealer.

Test check of the records of two¹⁴ wards of the office of the Commissioner of Sales Tax revealed during April 2003 to March 2004 that while assessing five cases between September 2002 to March 2003 for the assessment years 2000-01 and 2001-02, the assessing officer allowed purchases of listed goods against statutory form (ST 35) which were subsequently resold by the dealer for Rs. 96.26 lakh against the statutory form (ST 35) which was irregular. This resulted in non-levy of tax of Rs. 11.63 lakh including interest.

The matter was referred to Government in May 2004. The department created an additional demand in all cases accepting the audit view. The details of recovery were awaited as of February 2005.

5.20 Irregular grant of exemption

Under the DST Act, and rules made there under, a registered dealer may deduct the sale value of goods which has already been subjected to tax at the first stage of sale from his gross turnover provided he appends the statutory forms (ST-35) along with his return.

Test check of the records of the office of Commissioner of Sales Tax, Delhi conducted during April 2003 to March 2004 revealed that in nine cases assessed between September 2000 and March 2003, the dealers were granted exemption of Rs. 3.34 crore from their gross turnover for the assessment years 1997-98 to 2001-2002, on the ground that these purchases/sales had been made from/to registered dealers against declarations in form ST-1 although these goods were taxable at first point for which form ST-35 should have been obtained. Thus, the exemption allowed by the assessing authority was irregular and resulted in short levy of tax of Rs. 28.50 lakh including interest.

The matter was referred to the Government in May 2004. The department admitted in June 2004 the audit observations in three cases valued at Rs. 7.25 lakh and raised additional demand of Rs. 6.37 lakh. In four other cases, the department stated that plastic powder and bakelite powder are not a plastic product and hence were last point items (two cases) while the items sold were last point item in the other two cases.

The contention of the department is not tenable since plastic celluloid/bakelite goods and goods made of similar other substances are first point goods with effect from 1 April 1998 and the dealer dealt in plastic goods which also falls under first point item. In the other two cases, the dealer sold articles made of iron & steel, adhesives and glazed tiles which fall under the category of first point items. Replies in remaining two cases are awaited as of February 2005.

¹⁴ Ward No 33 & 83

5.21 Irregular grant of exemption on transit sale

Section 6(2) of the CST Act, read with rules made there under provides that the dealer should obtain a certificate in form E-I or E-11 as the case may be, from the selling dealer and submit it along with evidence about the sale effected when the goods are in movement from one State to another, in order to avail of exemption on sale in transit. Any deviation from this attracts levy of tax and interest.

Test check of records of two¹⁵ wards of the office of the Commissioner of Sales Tax, Delhi conducted during April 2003 to March 2004 revealed that in three cases, the assessing officer while finalizing the assessments between September 2001 to March 2003 for the assessment years 2000-01 to 2001-02, failed to take into account the non-production of the requisite E I forms and/or other evidences as required under the rules, while allowing the exemption for goods value at Rs. 13.20 crore in transit. This resulted in short levy of tax of Rs. 1.18 crore inclusive of interest.

The cases were referred to the Government in May 2004; their reply was awaited as of February 2005.

5.22 Irregular exemption on consignment sale

Under the CST Act, any dealer who claims that he is not liable to pay tax under this Act in respect of any goods, on the ground that the movement of such goods from one State to another was occasioned by reason of transfer of such goods by him to any other place of his business or to his agent or principal, as the case may be and not by reason of sale, shall bear the burden of proving that the movement of those goods was so occasioned. It was held¹⁶ by the Hon'ble Supreme Court that whether a transaction is a sale or transfer to his agent, will have to be determined having regard to the terms of agreement, the intention of the parties and dealings between them.

Test check of the records of Ward No.64 of the office of the Commissioner of Sales Tax, Delhi revealed during April 2003 to March 2004 that while assessing a dealer for the assessment year 2001-02 in August 2002, the assessing authority allowed exemption to the dealer on consignment sale of Rs. 2.68 crore though there was no agreement between the parties. This resulted in non-realization of tax of Rs. 35.69 lakh inclusive of interest.

¹⁵ Ward Nos-104,8

¹⁶ Bhopal Sugar Industries Vs STO (1997-98) 40STC 42(SC)

The cases were referred to the Government in May 2004; their reply was awaited as of February 2005.

5.23 Irregular exemption against improper accounts

Under the DST Act, every dealer has to maintain a true account of the value of the goods bought and sold by him. If the Commissioner considers that such accounts are not sufficiently clear and intelligible to enable him to make a proper assessment of his gross turnover, he can instruct the dealer to maintain proper accounts of his purchase and sale. Any deviation attracts penalty not exceeding two and a half times the tax avoided and interest at prescribed rates in addition to the tax payable.

Test check of the records of ward number 100 of the office of the Commissioner of Sales Tax conducted during April 2003 to March 2004 revealed that while assessing for the assessment year 2001-02 in August 2002, the assessing authority failed to detect concealment of sales from the account of a dealer (100 *per cent* export unit) duly certified by the chartered accountant for the assessment years 2000-01 and 2001-02 wherein "Sundry Debtors" were depicted as Rs. 8.85 lakh and Rs. 11.32 lakh respectively. The amount of "Sundry Debtors" for the years 2000-01 was realized in June 2001 as per certificate of the chartered accountant. Further, all the amount of export for the year 2001-02 was also realized within the financial year itself. This resulted in concealment of sale of Rs. 11.32 lakh and short realization of tax of Rs. 3.48 lakh inclusive of interest and penalty.

The omission was reported to the Government in May 2004. The department stated in July 2004 that the amount shown as "Sundry Debtors" was realized on 17 April 2002 and furnished a copy of certificate of the chartered accountant in support. The reply of the department is not acceptable because the certificate of the chartered accountant furnished at the time of assessment for claiming exemption under "export sale" depicted the date of realization as 25 February 2002 against the same invoice numbers and dates whereas, it also figured amongst the Sundry Debtors in the Balance Sheet for the year 2001-02. Had it been realized in February 2002, it would not have been included as "Sundry debtor".

5.24 Short accountal of purchase/ sale/ stock

Under the DST Act, every dealer should maintain true and correct accounts of sales and purchases made by him. If a dealer conceals the particulars of his

purchase, sale and stock or furnishes inaccurate particulars of his sale, he shall pay by way of penalty a sum not exceeding two and a half times the amount of tax due in addition to the amount of tax and interest payable.

Test check of records of 13¹⁷ wards of the office of the Commissioner of Sales Tax, Delhi, conducted during April 2003 to March 2004 revealed that in 31 cases the dealers had purchased goods valued at Rs. 79.04 crore during 1999-2000 to 2001-02 on the strength of statutory forms ST I and ST 35 or otherwise but accounted for only Rs. 63.93 crore in their books of accounts, thereby concealing purchases amounting to Rs. 15.11 crore. The assessing authority while finalising the assessments between December 2001 to March 2003 failed to detect the suppression of corresponding sales of Rs. 16.65 crore inclusive of margin of profit resulting in short levy of tax of Rs. 3.94 crore inclusive of interest and penalty.

The matter was referred to the Government in May 2004. The department stated in July 2004 that an additional demand of Rs. 9.12 lakh was created in one case while in another case the purchases were made by the dealer in its unit in Uttar Pradesh. The reply of the department is not tenable because the purchases were made by the dealer against 'C' forms requisitioned by Delhi unit of the dealer. The reply in the remaining 29 cases was awaited as of February 2005.

Test check of the records of further two¹⁸ wards conducted during April 2003 to March 2004 revealed that the assessing authority while finalising assessment in five cases between September 2002 to March 2003 assessed sale of only Rs. 6.07 crore against actual sale of Rs. 7.88 crore during 2000-01 to 2001-02. There was under assessment of sale of Rs. 1.81 crore resulting in short levy of tax of Rs. 0.55 crore inclusive of interest and penalty.

The department stated in July 2004 that in one case the dealer had received all the goods on transfer from Noida factory at Market Rate Price (MRP) and sold the goods to their franchise at whole sale price i.e. at lesser price. The reply of the department is not acceptable because under valuation of goods was done intentionally to avoid the tax. No reply was received in respect of the remaining four cases as of February 2005.

Test check of the records of further two¹⁹ wards conducted during April 2003 to March 2004 revealed that in two cases for the assessment years 2001-02 to 2002-03 assessed between March 2003 to March 2004, the balance of stock as per the trading account was shown as Rs. 6.70 crore whereas the balance of stock worked out to Rs. 10.52 crore indicating concealment of stock of

¹⁷ Ward Nos. 3,44,58,64,84,66,17,43,31,69,96,101,78

¹⁸ Ward Nos. 33,101

¹⁹ Ward Nos. 71,19.

Rs. 3.82 crore. This resulted in short levy of tax of Rs. 1.68 crore inclusive of interest and penalty.

The department created in May 2004 an additional demand of Rs. 90.48 lakh (excluding interest) in one case. The reason for not charging interest on tax was not furnished by the department. The reply of the department was awaited in the remaining case as of February 2005.

Motor Vehicles Tax

5.25 Loss of revenue due to non-renewal of registration of vehicles

Under Section 39 of the Motor Vehicles Act, 1988 and rules made there under, every vehicle plying on public road is required to possess a valid Certificate of fitness/ registration which is issued by the State Transport Authority against the payment of prescribed fees and penalties for delays if any. In case the fitness certificate is not renewed by the due date, the registration of vehicles becomes invalid and the vehicle cannot thereafter ply on public roads.

Fitness certificates of private vehicles are valid for a period of 15 years and are thereafter renewable every five years on payment of fees of Rs. 200/-. In addition, penalty at the rate of Rs. 10/- per month subject to a maximum of Rs. 100/- is leviable in case of delay in renewal. In so far as commercial vehicles are concerned, the registration is valid for two years and is subsequently to be renewed every year along with fitness certificate. Renewal of the registration/ fitness certificate is made after payment of road tax, registration fees and fee for fitness certificate at the stipulated rates depending on the type of vehicle. Delay in renewal of registration attracts levy of penalty upto one hundred *per cent* of the road tax leviable under Section 3 of the Act *ibid*. In addition, late fee at the rate of Rs. 20/- per day is also leviable for delay in renewal of fitness for commercial vehicle as per the Delhi Motor Vehicle Rules, 1993.

Test check of the records of the Transport department conducted during September 2003 revealed that 13.20 lakh private and commercial vehicles were plying in the NCT of Delhi as of March 2004 without valid fitness/registration certificates. The Transport department did not have any mechanism or laid down procedure for the periodic checking of registration/fitness certificates so as to detect the vehicle whose fitness/ registration certificates had since expired and which had not been renewed. The department failed to take any action to enforce the mandatory provisions of the

Act *ibid* and recover the fees and road tax chargeable for renewal of registration. Consequently, the department lost revenue of Rs. 69.57 crore leviable for re-validation of registration certificates and issue of fitness certificates of the above vehicles.

The matter was referred to the Government in May 2004. The department disputed the figures worked out by audit stating that they did not take into account the period of validity of registration, period and the number of vehicles for which NOC were issued or the stolen/ damaged vehicles (August 2004).

The reply of the department is not tenable because the loss of revenue has been worked out based on the figures furnished by the department and after taken into account the factors cited by the department.

5.26 Short levy of fees

Government of India, vide notification dated 28 March, 2001 revised the rates of fees leviable under the Motor Vehicles Rules, 1989 for issue of Registration certificates, transfer of ownership, renewal or issue of driving licenses, issue of Trade certificates, Fitness certificates, etc with effect from 1 April 2001.

Test check of records of the 10²⁰ Motor Licencing offices of the Transport department, revealed in August 2003 that the Department charged fees for the above service at the pre-revised rates in 2,20,183 cases for the period from 1 April 2001 to 13 June 2001. This resulted in short levy of fees of Rs. 1.89 crore.

The matter was referred to the Government in May 2004; their reply was awaited as of February 2005.

²⁰ MLO-Janak Puri, Anand Vihar, Ashok Vihar, Loni Shahdara, Sheik Sarai, Sarai Kale Khan, Tilak Marg, Rajpur Road and Mall Road, Burari, Palam

State Excise, Entertainment and Luxury tax

5.27 Loss of revenue of Rs. 23.03 lakh due to incorrect fixation of ex-distillery price for supply of Indian made foreign liquor/beer.

As per the terms and conditions laid down in the public notice of 2002-03 issued by the Excise department for the grant of licenses for the year 2002-03 for whole sale supply of Indian Made Foreign Liquor (IMFL)/ beer, the prices were to be fixed on the basis of the lowest Ex-Distillery Price (EDP) net of all duties/fees, discounts/commissions of whatsoever nature allowed in respect of any market in India. For this purpose, the minimum EDP as on 31 March of the previous year is to be taken for fixation of prices. Each licensee also submits an affidavit at the time of grant of license undertaking to deposit the differential amount, if any, along with interest.

Test check of records of the Excise Commissioner conducted in July-September 2003 revealed that the above provisions were not adhered to while fixing prices for whole sale supply of IMFL/beer in two cases for the year 2002-03 which resulted in a loss of revenue amounting to Rs. 23.03 lakh as tabulated below:

Sl. No.	Name of license	Wholesale price fixed on the basis of EDP	Admissible whole sale price based on EDP	Difference in whole sale price	No of cases sold	Differential amount to be recovered		Total recoverable amount
						Principal	Interest	
1.	M/s Rochees Breweries Ltd	Rs 218.52 per case for Castle Lager beer for the licensing year 2002-03	Rs 203.06 per case	Rs 15.46 per case	118602 cases	18.34	0.55	18.89
2.	M/s Him Neel breweries Ltd	Rs 179.04 per case for Haake Beck Premium Lager beer for the year 2002-03	Rs 168.51 per case	Rs 10.53 per case	38209 cases	4.02	0.12	4.14
Total						22.36	0.67	23.03

The matter was referred to the Government in May 2004. The Commissioner of Excise stated in June 2004 that EDP at the rate of Rs. 185 per case was fixed by the competent authority for the year 2001-02. For the subsequent year 2002-03, the company requested for an increase in the EDP to Rs. 199.68

on account of increase in the cost of production. This request was accepted by the Excise Commissioner. The reply is not tenable since the lowest EDP as on 31 March 2002 was Rs. 185 per case on which the whole sale price worked out to Rs. 203.06 per case. As against this, the whole sale price fixed was Rs. 218.52 per case. Hence, the difference in the amount of whole sale price fixed was to be recovered as per affidavit submitted by the licensee.

In so far as the case of M/s Him Neel Breweries Ltd. was concerned, the Excise Commissioner has accepted the audit observations and issued a demand notice for recovery of Rs. 4.02 lakh to the brewery on 17 June 2004. Recovery was awaited as of February 2005.

5.28 Failure to levy Entertainment Tax on complimentary tickets issued by the Delhi District Cricket Association for cricket matches led to revenue loss of Rs. 3.11 crore.

Section 6(4) of the Delhi Entertainment and Betting Tax Act, 1996, provides that if any person is admitted free of charge or on a concessional rate to any entertainment, the same amount of tax shall be payable as if such person was admitted on full payment. Further Section 9 of the Act, stipulates that no unauthorised person shall be admitted to any entertainment except with a ticket in the prescribed form denoting that the proper tax has been paid. If any proprietor fails to pay tax due as required under the provision of this Act, he shall, in addition to tax (including any penalty) due, be liable to pay simple interest at the rates prescribed.

Test check of records of the office of the Commissioner of Entertainment, Betting & Luxury Tax relating to the one day International Cricket Match between India and England held on 31 January 2002, the Cricket Test Match between India and Zimbabwe held from 28 February 2002 to 4 March 2002 and the one day International Match between India and New Zealand held on 17 November 1999 conducted by the Delhi District Cricket Association (DDCA) revealed in June 2004 that 51,582 tickets were issued as complimentary for which neither any entertainment tax was charged nor any application for exemption of tax was made by DDCA. The match-wise details

of complimentary tickets issued were as under:-

(Rupees in lakh)						
Name of the match	No. of tickets issued as complimentary	Rate in Rs.	Amount receivable	Entertainment tax due	Total interest	Total amount due
One-day international India Vs England held on 31.1.2002	12,486	2,000	249.72	49.94	29.71	79.65
	4,500	250	11.25	2.25	1.34	3.59
Test Match India Vs Zimbabwe (28.2.2002 to 4.3.2002)	1,786	5,000	89.30	17.86	10.98	28.84
	11,200	1,500	168.00	33.60	20.66	54.26
	2,250	250	5.63	1.13	0.69	1.82
	2,250	50	1.13	0.23	0.14	0.37
One day International India Vs New Zealand held on 17.11.1999	1,810	7,000	126.70	25.34	29.77	55.11
	8,400	2,000	168.00	33.60	39.48	73.08
	2,400	1,000	24.00	4.80	5.64	10.44
	4,500	200	9.00	1.80	2.12	3.92
Total	51,582		852.73	170.55	140.53	311.08

Failure to levy entertainment tax in accordance with the provision of the Act resulted in loss of revenue of Rs. 1.71 crore. In addition, interest amounting to Rs. 1.41 crore till 31 October 2004 was also liable to be recovered from DDCA.

The matter was referred to the Government in June 2004. The office of the Commissioner of Entertainment and Betting tax replied in September 2004 that exemption from payment of entertainment tax on the complimentary tickets had been granted for the one day International match played between India and New Zealand on 17 November 1999 while notice had been issued to DDCA to deposit Rs. 91.77 lakh along with interest in the cases of other two matches, failing which recovery proceedings will be initiated.

Re-examination of ticket accounts for the first two matches revealed that the entertainment tax due worked out to Rs. 1.05 crore instead of Rs. 91.77 lakh. The discrepancy needs to be reconciled.

Further scrutiny of the records relating to the grant of exemption from payment of entertainment tax for the one day International between India and New Zealand revealed that exemption from payment of tax on the complimentary tickets valued at Rs. 3.28 crore had neither been sought nor granted. The exemption of entertainment tax granted pertained to sale of tickets and not for complimentary tickets.