

3. COMPLIANCE AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Hyderabad Growth Corridor Limited

3.1 *Undue favour to a concessionaire*

Hyderabad Growth Corridor Limited made excess payment of ₹ 15.35 crore to the Concessionaire which was not recovered over a period of six years leading to loss of interest of ₹ 7.37 crore as of June 2017

Hyderabad Growth Corridor Limited (HGCL) is a Special Purpose Vehicle floated by Hyderabad Metropolitan Development Authority (HMDA)⁸⁹. A Concession agreement⁹⁰ was signed between HMDA, HGCL and the Concessionaire in August 2007. The agreement, stipulated semi-annuity payment of ₹ 33.30 crore to the Concessionaire for construction, operation and maintenance of the express way. The Annuity payment was for a period of 12½ years from the date occurring after Commercial Operation Date (COD). The COD of the project was to be determined by an Independent Consultant. The agreement also provided for Bonus for early completion and reduction in annuity⁹¹ for delays.

Audit scrutiny of the records of HGCL showed that while the scheduled date of completion was noted as 9 June 2010, the actual COD was determined as 1 March 2011. As per the agreement, the first semi-annuity payment of ₹ 33.30 crore (stated to be due on 6 December 2010) was not due and hence not made. The second semi-annuity payment due on 5 June 2011 amounted to ₹ 17.95 crore (being the proportionate payment for 97 days from 1 March 2011 to 5 June 2011). However, full semi-annuity payment of ₹ 33.30 crore was paid (June 2011) to the Concessionaire. This resulted in excess payment of ₹ 15.35 crore as on that date.

It was further seen that the excess payment (June 2011) had not been adjusted (as of June 2017) from subsequent semi-annuity payments made till June 2017. Non-recovery/adjustment of the excess payment for over a period of six years resulted in blocking of Company's funds. This also entailed loss of interest of ₹ 7.37 crore as of June 2017 (8 per cent as per applicable rate of borrowing of Government).

When the matter was pointed out in Audit, the Company confirmed (June 2017) the excess payment. The Company also stated that the recovery of excess payment would be effected after the Independent consultant provides

⁸⁹ Earlier known as Hyderabad Urban Development Authority (HUDA)

⁹⁰ Design, Construction, Development, Finance, Operation and Maintenance of a 13 KM long eight lane access controlled express way between Pedda Amberpet and Bongulur (95.00 KMs to 108 KMs) on a Build, Operate and Transfer (BOT) basis

⁹¹The quantum of Bonus/reduction of annuity would be determined as per the formula (agreed to in the agreement) by an Independent Consultant appointed for the project

calculation on bonus payment/annuity reduction. The Company did not offer comments on loss of interest. The reply of the Company is not acceptable. The bonus/reduction in annuity was to be effected when annuity payment was made (June 2011). The issue was not resolved as of June 2017, i.e., after a lapse of six years. This led to undue favour to the Concessionaire.

Northern Power Distribution Company of Telangana Limited

3.2 Short collection of electricity duty of ₹ 28.56 lakh

The Company levied electricity duty on kWh units instead of kVAh units in respect of specified LT consumers which resulted in its short collection and consequent loss to the Government

Energy supplied by the licensees are required to be billed as per the rates notified by the Electricity Regulatory Commission of the State through its tariff orders from time to time.

As per tariff orders issued by the State Electricity Regulatory Commission (SERC) from 2011-12 onwards, energy charges should be billed on kVAh⁹² units instead of kWh⁹³ units. The orders also required that trivector meters which provide readings in kVAh, kWh and kVArh⁹⁴, should be provided to specified LT consumers⁹⁵.

As per A.P. Electricity Duty Act, 1939 (Section 3), the licensees have to collect and remit to the State Government, Electricity Duty (ED) at the rate of six paise⁹⁶ per unit of energy sold. Review of records of operational circle, Warangal, Northern Power Distribution Company of Telangana Limited (Company) *revealed that even though energy charges were collected on kVAh units, ED was collected on kWh units from the specified LT consumers. As a result, the collection of ED on kWh units resulted in short collection of the same by ₹ 28.56 lakh (Annexure 3.1) during 2011-17 in respect of Warangal circle alone.*

In its reply, the Government accepted (January 2018) the audit observation and stated that ED was now being levied on kVAh units from April 2017. Further, it was stated that instructions were issued to all circles to raise the shortfall of ED from the concerned consumers by issuing notices and then include the shortfall amounts in the monthly bills.

As per the Electricity Act, 2003, no sums shall be recoverable from any consumer after two years of due date, unless shown continuously as arrears of charges for electricity supplied. In view of this provision, the extent of recovery cannot be ascertained.

Thus, failure of the company to levy ED on kVAh units resulted in short collection of ED and consequent loss to the Government by ₹ 28.56 lakh.

⁹² kVAh – Kilo Volt Ampere Hours, means total energy consumption

⁹³ kWh – Kilo Watt Hours means units of active energy consumption

⁹⁴ kVArh- Kilo Volt Ampere Reactive Hours

⁹⁵ LT Category II (non-domestic/commercial) services, for loads of 10 KW and above and LT Category-III services with connected load of 15 KW/20 HP to 37.5 kW/50 HP

⁹⁶ Amended in the year 1994 from four paise to six paise per unit

Southern Power Distribution Company of Telangana Limited

3.3 Avoidable expenditure

Failure to adhere to the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, resulted in extra expenditure of ₹ 100.63 crore during 2012-17

According to Section 6 of The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (Act), an employer should contribute its share every month to the Employees Provident Fund (EPF). The contribution should be at the rates prescribed by the Government of India (GoI) from time to time. Out of the employer's contribution, 8.33 *per cent* would be transferred to the Employee's Pension Scheme/Fund and the balance to the employee's Provident Fund account.

Further, the employer should pay 'administrative charges' @ 1.10 *per cent* till 31 December 2014 and 0.85 *per cent* thereafter on the wages⁹⁷ on which EPF contribution was made. In addition, as per Section 6C of the Act, *ibid*, the following payments should be made by the employer:

- (i) contribution @ 0.50 *per cent* of the wages (subject to ceiling limits as prescribed) to the 'Employees Deposit Linked Insurance Scheme' (EDLI); and
- (ii) EDLI administrative charges @ 0.01 *per cent* of the wages (subject to ceiling limits as prescribed).

During the five-year period 2012-17, the employer's contribution stood notified by Government of India at 12 *per cent* of the wages. The wage ceiling limit for the purpose was ₹ 6,500 per month till 31 August 2014 and at ₹ 15,000 thereafter. However, Act provides that any establishment that has at the end of any financial year, accumulated losses equal to or exceeding its entire 'Net worth'⁹⁸, such an establishment is allowed to contribute employer's share at 10 *per cent*, instead of 12 *per cent*.

It was observed during Audit that the Company had accumulated losses⁹⁹ exceeding its 'Net worth' during 2012-17. Hence, the Company should have restricted the employer's contribution to 10 *per cent* of the wages. However, the Company continued to contribute its share @ 12 *per cent*. Further, the Company had not adhered to the statutory wage ceiling limit of ₹ 6,500/ ₹ 15,000 per month. This, together with administrative charges on EPF contribution, contribution to EDLI and EDLI administrative charges resulted in excess contribution of employer's share. The excess contribution of ₹ 100.63 crore (*Annexure 3.2*) for the five-year period 2012-17 resulted in additional burden on the loss making Company.

It was further observed that the Company depicted the excess contribution as part of the 'Operation and Maintenance' expenditure. The break-up of details were not revealed in the 'tariff filings' filed with the State Electricity

⁹⁷ Pay plus Dearness Allowance

⁹⁸ Total Assets minus Total Liabilities = Net worth

⁹⁹ 2012-13: ₹ 7,829.81 crore; 2013-14: ₹ 8,641.05 crore; 2014-15: ₹ 8,255.56 crore; 2015-16: ₹ 10,624.99 crore; 2016-17: ₹ 15,325.22 crore

Regulatory Commission. Stakeholders including general public were not provided with the information regarding the excess contribution to EPF.

The Government replied (January 2018) that the issue pertained to employee related payments. In view of the various steps taken by the State Government to strengthen the DISCOMs, the Employer contribution at 12 per cent was made.

The reply was not acceptable as the contribution made is in contravention to statutory provisions laid down in the Act.

Thus, failure of the Company to adhere to provisions of the Act resulted in extra expenditure of ₹ 100.63 crore during 2012-17 which was avoidable.

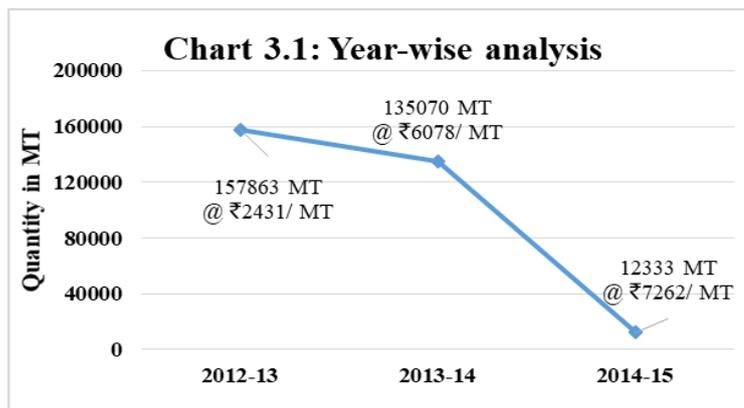
Telangana State Forest Development Corporation Limited

3.4 Loss of revenue due to inordinate delay in the sale of eucalyptus pulpwood

The Company sustained a loss of ₹ 3.14 crore due to the delay in the sale of eucalyptus pulpwood

The Company had an estimated quantity of 2,85,524 MT¹⁰⁰ of pulpwood in the year 2015-16. Harvesting and sale of the same, however, did not take place in 2015-16 as the tenders were deferred due to instructions of the Government. The Government subsequently permitted (November 2016) the Company to sell three lakh MT out of accumulated four lakh MT (2016-17). Of this quantity, the Company sold 2.81 lakh MT in nine different lots at a price ranging from ₹ 3,900 to ₹ 4,365 per MT. This was, however, below the minimum reserve price (₹ 4,400) fixed by the Company.

In this context, the quantum of eucalyptus pulpwood sold and the sale price thereof for the years 2012-15 were depicted in the Chart 3.1.



As could be seen from Chart 3.1, the sale price was inversely proportional to the quantum of eucalyptus pulpwood sold in that year. Likewise, the release of huge quantity of 3 lakh MT into the market by the Company in 2016-17, after deferring the sales during 2015-16, resulted in fall in the sale price below the minimum reserve price set by the Company. Further, due to postponement of

¹⁰⁰ For the year 2014-15, the cumulative estimated quantities of pulpwood (for Telangana) was 1,74,325 MT and the sale did not take place during 2014-15

sale in 2015-16, the pulpwood had over-matured¹⁰¹ leading to deterioration in quality. This resulted in loss of at least ₹ 3.14 crore in the sale of 2.81 lakh MT of pulpwood (*Annexure 3.3*).

The Company accepted (May 2017) the audit observation and attributed the delay in the sale of eucalyptus pulpwood to the instructions of the Government. The Government (August 2017), however, contended that there was no loss to the Company due to the delay in sales as (i) over-matured eucalyptus would fetch more price as it could be utilised for plywood furniture; (ii) reserve price was strategically fixed at higher level so that major buyers do not quote less than reserve price.

The Government reply was not acceptable as (i) out of 2.81 lakh MT of eucalyptus sold, 2.44 lakh MT was sold to a paper mill and not a furniture company; and (ii) the sale price was less than the upset price fixed by the sales sub-committee in five lots.

Thus, inordinate delay in the sale of eucalyptus pulpwood by the Company led to a loss of at least ₹ 3.14 crore to the Company.

Telangana State Mineral Development Corporation Limited

3.5 Extension of undue benefit of ₹ 18.03 crore to the buyers of sand

Failure to comply with the provisions of VAT Act resulted in extension of undue benefit of ₹ 18.03 crore to the buyers of sand

The Government of Telangana (GoT) introduced a New Sand Mining Policy, 2014¹⁰², for the State of Telangana. The Telangana State Sand Mining Rules¹⁰³ were formulated to regulate the mining and transportation of sand in the State. The Company was the only agency authorised to sell the sand on behalf of the Government of Telangana.

The Company started the sand sale business with effect from 12 February 2015. The GoT had permitted¹⁰⁴ the Company to retain sand sale proceeds collected from 12 February 2015 to 31 May 2015 as a one-time non-refundable grant. From 01 June 2015 onwards all sand sale proceeds had to be directly credited to Telangana State Government Treasury. The Company could claim operational expenses incurred plus 6 per cent supporting charges on sand sale proceeds.

According to Section 2(10) of VAT Act, 2005¹⁰⁵, the Company had to levy VAT @ 5 per cent on sale of sand, collect from sand buyers and remit to the Government. The Company however failed to levy VAT on sand sales made during the period from 12 February 2015 to 18 March 2016. The Commercial Tax Officer, Hyderabad issued a show-cause notice (10 March 2016), for non-payment of VAT amounting to ₹ 18.77 crore on the sand sales up to December 2015. The Government of Telangana instructed (18 March 2016)

¹⁰¹ Crossed 45 cms. girth (ideal girth is less than 45 cms. for paper industries)

¹⁰² Vide G.O.Ms.No.38, Industries and Commerce (Mines I) Department, dated 12 December 2014

¹⁰³ Vide G.O.Ms.No.3, Industries and Commerce (Mines I) Department, dated 08 January 2015

¹⁰⁴ Vide G.O.Ms.No.42, Industries and Commerce (Mines I) Department, dated 14 July 2015

¹⁰⁵ A.P VAT Act, 2005 adopted by Telangana State

the Company to pay VAT on the sales on its behalf for the period mentioned in the show cause notice.

Audit observed that the Company failed to levy and collect VAT as per the provisions of the VAT Act, on the sand sales made during the period 12 February 2015 to 18 March 2016. This led to extension of undue benefit of ₹18.03 crore¹⁰⁶ (as per the actual sales indicated in the Company's portal) to the buyers of the sand.

The Management confirmed (January 2017) that the Company had not collected any VAT on the sale of sand across all the districts of Telangana. It was informed that the Company was under the impression that it would get exemption from payment of VAT, as it was doing business on behalf of the GoT. Further, it was stated that the Company had started collecting VAT from 19 March 2016. In its further reply (June 2017) it was stated that Commercial Tax Department has been requested to make book adjustment in respect of VAT for ₹ 18.03 crore and the matter is yet to be resolved.

Thus, the failure of the Company to comply with the provisions of VAT Act resulted in extension of undue benefit to the buyers of sand amounting to ₹ 18.03 crore.

Telangana State Power Generation Corporation Limited

3.6 Avoidable additional expenditure

Faulty drawings resulted in additional expenditure of ₹ 47.89 lakh which was borne by the Company and not by the firm

Ramagundam Thermal Station (RTS-B) of Telangana State Power Generation Corporation Limited (TSGENCO) (Company)¹⁰⁷ decided (November 2004) to replace 1220 eroded Boiler bank tubes¹⁰⁸ and 36 side wall tubes including LT and HT Super Heaters. The replacement was expected to improve the Boiler performance, and enhance the Company's ability to meet the demand of power.

As the original drawings of the Plant (including Boiler) were not available, the Company decided to develop drawings based on the existing dimensions, on re-engineering. The work was awarded (March 2007) to an experienced Chennai based firm¹⁰⁹(firm 'A'), for ₹ 9.14 lakh. As per the Work Order, the firm was to submit an undertaking that the equipment manufactured based on these drawings submitted would be suitable for one to one replacement. Accordingly, an undertaking was submitted (August 2007) by the firm. The drawings were submitted by the firm in May 2009. The same were approved by the Company.

Based on the approved drawings, the Company awarded (August 2010)¹¹⁰, the work of manufacture, testing, inspection and supply of 1220 boiler bank tubes along with side water wall tubes, LT & HT super heater coils to a Nagpur

¹⁰⁶ VAT @ 5 percent on sand value of ₹ 360,54,09,303 for a quantity of 63,76,445.49 cubic metres

¹⁰⁷ Installed capacity of 62.5 MW (commissioned in 1971)

¹⁰⁸ Boiler Bank Tubes are bent to shape Tubes or Steam Generating Tubes where water is converted to steam. Boiler Bank Tubes carry a mixture of water and steam

¹⁰⁹ M/s U-Tech Consultants & Engineers (P) Limited, Chennai

¹¹⁰ On limited tender basis

based contractor¹¹¹ (firm 'B'), for ₹ 1.04 crore¹¹² excluding taxes. Accordingly, the material (1220 boiler bank tubes) was supplied by the contractor in 2011.

As a part of overhaul (September 2012), 101 old bank tubes were initially dismantled. While erecting the bank tubes (September 2012), it was found that the tubes supplied by the contractor could not exactly fit into the existing boiler. When the fact was brought to the notice of the contractor, the contractor placed the blame on the approved drawings.

In order to replace the 101 dismantled tubes initially and the remaining 1119 tubes later, an additional/modification work of adding spool piece¹¹³ of approximately 150 to 200 mm length to the bank tubes was entrusted to the same contractor in view of the urgency, at an additional cost of ₹ 47.89 lakh. In the absence of a specific clause/ condition in the work order, in case tubes do not fit owing to faulty drawings, the Company was unable to recover the amount from the firm 'A'.

The Government in its reply (January 2018) cited constraints such as absence of original drawings, spare equipments and inaccessible site conditions. It was further stated that corrections/ adjustments in the final assembling process while replacing bank tubes were inevitable.

The reply was not acceptable as the Company failed to include specific clause in the Work Order of firm 'A' for recovery, in case the tubes manufactured based on drawings did not fit.

This had resulted in additional expenditure of ₹ 47.89 lakh which was borne by the Company and not the firm 'A'.

STATUTORY CORPORATION

Telangana State Road Transport Corporation

3.7 Non-Operating Revenue in Telangana State Road Transport Corporation

3.7.1 Introduction

Following bifurcation of the State (June 2014), the erstwhile Andhra Pradesh State Road Transport Corporation (APSRTC) was bifurcated into APSRTC and Telangana State Road Transport Corporation (TSRTC)¹¹⁴ (Corporation). Separate records for TSRTC were maintained from 03 June 2015. The Corporation is under the administrative control of Transport, Roads & Buildings Department, Government of Telangana.

The Corporation provided transportation services to commuters within and outside the State through 10,390 buses (including 2153 hired buses), as of 31 March 2017. The Corporation had been running in loss.

¹¹¹ M/s Seam Industries (P) Limited, Nagpur (earlier M/s Sunil Hi-Tech Engineers & Manufacturers (P) Limited) (L-1)

¹¹² Supply package: ₹ 82.58 lakh plus works package: ₹ 21.26 lakh

¹¹³ Piece of pipe

¹¹⁴ Formed with effect from 27 April 2016

Non-operating revenue accounted for 2.37 per cent of total revenue during 2016-17. Its average for the last three years worked out to 2.12 per cent of the total revenue. Non-operating Revenue (NOR) showed a growth of 27 per cent over the three years 2014-17.

The Non-operating revenue of the Corporation mainly included:

- **Rent:** from leasing of stalls, shops, canteens, open spaces etc. in the bus stations
- **Advertisements:** Sale of advertising rights for advertisements in the premises of bus stations, on buses, passenger seat backs, etc.
- **Others:** Sale of scrap (vehicles and materials), interest on deposits, dividends, interest on advances to employees.

3.7.2 Organisational set up

The Management of the Corporation is vested with Board of Directors (Board) headed by a Managing Director.

3.7.3 Audit

Audit was conducted from 31 March 2017 to 31 May 2017. The Corporation had 11 Regional Offices, out of which records at eight Regions¹¹⁵ were reviewed. The objective was to seek an assurance that the policies and practices for maximising the non-operating revenue from rent and advertisements were effective.

3.7.4 Audit findings

3.7.4.1 Leasing of stalls & shops

The Corporation had 358 bus stations spread throughout the State, which were categorised as 'Major', 'A', 'B' and 'C' class. These bus stations had 3958 shops/stalls which were leased out by the Corporation through tendering.

As per the erstwhile APSRTC circular of 2003¹¹⁶, the categorisation of bus stations was based on the commercial revenue realised through license fee and number of bus services touching the bus stations. Subsequent to the formation of TSRTC, the same categorisation was continued. The categorisation was not reviewed even though the underlying economic factors such as growth of the cities and commercial character of the cities had undergone substantial change.

The Government replied (February 2018) that the Corporation proposed to reclassify the bus stations and accordingly information was being obtained from the Regions for the same. The work would be completed shortly.

Occupancy of stalls

There was no policy/Manual guiding leasing of space, shops etc. in the Corporation. Review of the records revealed:

- As of 31 March 2017, 88 per cent of the stalls stood allotted (Table 3.1).

¹¹⁵ Mahbubnagar, Nalgonda, Nizamabad, Medak, Secunderabad, Hyderabad, Warangal and Rangareddy

¹¹⁶ Major bus station: ₹ 2.50 lakh and above; 'A' Class bus station: ₹ 1.50 lakh to ₹ 2.50 lakh; 'B' Class bus station: ₹ 10,001 to ₹ 1.50 lakh; 'C' Class bus station: below ₹ 10,000 (monthly license fee)

The analysis of occupancy of stalls revealed that the percentage of vacancy was high in 'A' class (20 per cent) and 'C' class bus stations (16 per cent).

Table 3.1: Vacancy position in bus stations as on 31 March 2017

Details of bus stations		Number of stalls			Percentage of vacancy
Category	No. of bus stations	Total	Allotted	Vacant	
Major	8	463	419	44	9.5
'A' class	17	525	418	107	20.4
'B' class	88	2007	1846	161	8
'C' class	245	963	809	154	16
Total	358	3958	3492	466	11.8

Source: Company records

Audit noted that all tenders were issued and finalised at the Regional office level. A monthly statement was received at the Corporate office from the Regional offices indicating the total number of shops/spaces and the total number of shops/spaces allotted. The information received from the Regional offices was merely consolidated at the Corporate office.

Periodical review on the occupancy of stalls was not conducted at the Corporate Office. In the absence of review, there was no regular monitoring mechanism and follow up action at the Corporate Office. The Corporation did not have a comprehensive database of the total shops and spaces available for lease, period of vacancy and the resultant loss of revenue. Thus, the loss on account of vacancy of stalls across the Corporation could not be assessed in audit.

The Government replied (February 2018) that the Corporation was in the process of developing the data base software by M/s Tata Consultancy Services Limited (TCS) to have all the details of the stalls to regularly monitor the occupancy/vacancy position of the stalls.

The reply was not acceptable as the work relating to development of software by TCS started in April 2012 and is yet to make any progress.

- Audit selected five¹¹⁷ regions for further analysis. It included 33 bus stations of five Regions comprising four in 'Major', six in 'A' Class, eight in 'B' Class and 15 in 'C' Class bus stations. In these 33 bus stations, out of 1039 stalls, there were 149 vacant stalls comprising 54 in 'Major', 38 in 'A' Class, 24 in 'B' Class and 33 in 'C' Class bus stations.

In the selected five regions, there were vacant stalls at 33 bus stations (out of 358). Thereby, the Corporation lost the opportunity to earn revenue of ₹3.95 crore.

The Government replied (February 2018) that tenders were called for and attributed the vacancy and non-allotment to several reasons, viz., less quotes received, not meeting eligibility criteria, no response and stalls located in non-potential areas. In respect of JBS and MGBS, Hyderabad, it was replied that less business to stalls were due to bifurcation of the State and introduction of e-tendering system for calling tenders.

¹¹⁷ Mahbubnagar, Nalgonda, Nizamabad and Medak with three depots each and Rangareddy with two major bus stations. (Out of 8 Regions, in 3 Regions, i.e., Hyderabad, Secunderabad and Warangal Regions, vacancy position was less)

The fact remains that the reasons for vacancy of stalls were not communicated by the Regional Offices to the Corporate Office. Hence, analysis for the vacancy was not done and no directions were issued.

- Corporation directed (13 September 2001 and 2 April 2005) that tenders should be called for three months before the closure of the existing agreement. Tenders were to be called at least once in two months.

Audit observed that the Regional Offices did not comply with these instructions regarding time schedule for issue of tenders. The delay in allotment of stalls before the end of the agreement period of the existing licenses resulted in loss of ₹ 0.68 crore.

The Government replied (February 2018) that tenders were called for 8 times (once in 2015, four times in 2016 and three times in 2017) in Nizamabad Region but stalls could not be allotted due to various reasons like less quotes, no response to tenders etc. In Medak Region, it was replied that tenders were issued once in 2015 and in 2016, while it was issued twice in 2017 but there was no response.

The reply was not acceptable as the instructions contained in circular dated 2 April 2005, for allotment of vacant canteens, stalls/shops etc., at Bus Stations, tenders have to be called for at least once in two months. From the reply, it was clear that the regions did not comply with the instructions of the Corporate Office. As a result, the stalls/shops could not be allotted to the tenderers on time before the completion/closure/termination of agreement period of the existing licenses.

3.7.4.2 Recovery of Service Tax from the Licensees

Rental income from immovable property is taxable under Section 66B of Finance Act, 1994 as per the Notification No. 30/2012 dated 20 June 2012 of Service Tax. Audit observed that the Corporation issued a 'circular' (21 April 2014) for mandatory collection of 'Service Tax' on the license fee, in respect of the agreements entered into after 21 April 2014. In respect of agreements entered before 21 April 2014, the license fee received/to be received was to be considered as inclusive of Service Tax.

Audit observed that there was a delay of two years in issuance of circular (21 April 2014) for collection of Service Tax from the date of issue of notification (No. 30, dated 20 June 2012) by the Government of India.

The Corporation did not furnish the reasons for delay. ***Thus, the Corporation was liable to pay Service Tax of ₹ 5.96 crore¹¹⁸ from its own resources.*** Out of this, only an amount of ₹ 0.64 crore¹¹⁹ was paid to the tax authorities as of date (March 2017). In addition to an avoidable liability, the Corporation extended an undue benefit to the licensees.

The Audit of agreements of 479 stalls at five bus depots and two major bus stations, showed discrepancies with reference to levy of Service Tax in 96 stall agreements entered into after 21 April 2014 as indicated below:

¹¹⁸ 2012-13 - ₹ 2.56 crore and 2013-14 - ₹ 3.40 crore

¹¹⁹ 25 per cent for 2012-13

- The Corporation issued instructions regarding inclusion of a suitable clause for the collection of Service Tax from the licensees which were entered after 21 April 2014. However, some of the Regional offices had not included the clause relating to Service Tax in the agreements¹²⁰ entered after April 2014. This resulted in extension of undue benefit of ₹ 0.84 crore to 76 licensees, due to non-collection of Service tax and corresponding loss to the Corporation. The Management accepted (April 2017) that the clause of collection of Service Tax was not included in respect of two stalls erroneously. However, the Corporation did not furnish reasons for non-inclusion of the clause in respect of other agreements.
- The clause for collection of Service tax included in the agreements with 6 licensees, however, the Corporation failed to collect the Service Tax amounting to ₹ 11.08 lakh from the date of agreement up to December 2016/January 2017. As a result, the liability has to be borne by the Corporation from its own resources.
- In Siddipet depot, Service Tax clause was incorporated in the agreements executed with 14 licensees from September 2016. This resulted in an avoidable liability of ₹ 3.46 lakh in respect of agreements entered between 21 April 2014 to 31 August 2016.

The Government replied (February 2018) that the stalls which were allotted before 2014, there was a clause in the agreements that the Service Tax, if any applicable on renting of immovable properties of the Corporation, would be borne by the Corporation. The licensees of the stalls citing the above clause were not paying the Service Tax.

The reply was not acceptable since as per the Finance Act, 2012, it was mandatory to pay Service Tax on rentals of immovable property. Due to non-inclusion of the Service Tax clause in the agreements entered during 2012-13 and 2013-14, Corporation was liable to pay ₹ 5.96 crore from its own funds. Even after issue of circular (21 April 2014) by the Corporate Office for the inclusion of Service Tax clause, management failed to include the same and allowed undue benefit to the licensees.

3.7.4.3 Commuter Amenity Centres

The Corporation was the implementing agency for setting up Commuter Amenity Centres (CAC) under JNNURM¹²¹ Scheme. CAC is a structure with “ultra-modern” facilities¹²².

Integrated CACs were not constructed but only separate Bus Terminals (BT) and bus depots were constructed by the Corporation. Audit findings thereof were included in the *Report No. 5 of 2014* of the C&AG of India (PSUs) for the year ended March 2013. The vacant commercial space and loss of revenue in four Bus Terminals¹²³ was highlighted in the Report. However, the

¹²⁰ Mahbubnagar Region: Mahbubnagar, Kalwakurthy and Shadnagar depots and JBS & MGBS (closed stalls)

¹²¹ Jawaharlal Nehru National Urban Renewal Mission

¹²² Like banking, e-seva, cafeteria, pass issue counter, reservation counter, waiting hall, medical assistance, drinking water, internet cafe etc.

¹²³ Koti, ECIL, Patancheru and Kukatpally

Corporation did not take any corrective action.

A test check conducted in three out of the five CACs/BTs showed that:

- The CAC/BT, Kukatpally, Hyderabad was constructed at a cost of ₹ 7.56 crore. Out of the total area (45,265 Sft.) available in the CAC, 20,877 Sft. was identified as commercial space for generating revenue. The CAC was handed over to the Regional Manager (RM), Secunderabad (17 January 2014). However, the commercial space remained vacant resulting in loss of revenue of ₹ 0.35 crore¹²⁴.

The Government replied (February 2018) that the vacant space to an extent of 10,400 Sft. in CAC/BT Kukatpally was allotted with effect from 15 February 2017.

The fact remains that the entire space was vacant for over three years and vacant space admeasuring 10,477 Sft. was still lying vacant (December 2017).

- In CAC/BT, Koti, Hyderabad, one stall / space admeasuring 8902 Sft. was proposed for allotment to banks and other commercial institutions. There was no response to the first tender issued. Against the second tender (April 2013), space was allotted for use as a godown, at a monthly license fee of ₹ 50,000 (₹ 5.61 per Sft.). This rate was far less than the rental value in that area (as per the then A.P. Public Works Department 'D' Code ₹ 21.32 per Sft.). On a rethink, the Corporation cancelled the allotment (August 2013) and the stall lay vacant since then. The Corporation should have circulated the availability of space amongst Banks/Financial institutions instead of allotting the space for use as a godown. The vacant commercial space had resulted in loss of revenue of ₹ 0.82 crore (from September 2013 to March 2017).

The Government replied (February 2018) that the Corporation cancelled the allotment of space for use as a godown as the rental value offered was very less. As the tenderer did not agree with the rate proposed by the Corporation, the tender was cancelled. Against this cancellation, the tenderer filed a Writ Petition.

The reply was not acceptable as the Corporation after issue of allotment letter ascertained the higher rental value in that area. Considering this the Corporation cancelled the allotment. This led to avoidable litigation in Court besides loss of revenue to the Corporation.

Revenue from Advertisement contracts

The Corporation earns revenue from advertisements on buses, on passenger seat backs, spaces in and around bus stations (including unipoles) and on Ticket Issuing Machine rolls, etc. Advertising on buses included both buses owned by the Corporation and hired buses. Agreements for display of advertisements were entered into with private parties (Contractors), who paid monthly license fee as per the rates agreed in the agreements. The advertisement contracts were awarded through e-tendering, generally for period of five/ten years. The advertising space was generally earmarked and specified in the agreements. The Corporation had 79 advertisement contracts

¹²⁴ ₹ 7.56 crore/45,265 Sft.= ₹ 1670 /30 (estimated life) x12 months = ₹ 4.64 per Sft. per month
₹ 4.64 x 20,887 Sft. per month = ₹ 96,916 x 36 months = ₹ 34.89 lakh

as on 31 March 2017. The Corporation did not have a policy for sale and execution of advertisement contracts.

3.7.4.4 Collection of advertising revenue

- The Corporation entered into three separate agreements (September 2013 to September 2015) with advertising agencies¹²⁵ (licensee). The agreements provide for display of advertisements on buses owned by the Corporation and on Private Hired Buses (PHB).

The Corporation entered into separate agreements with PHB owners for hiring of buses as per which they were to permit display of advertisements on the buses, by the Corporation or its authorised agent. In case the PHB owner did not permit display of advertisements, or if the displayed advertisement were removed without intimation, the Corporation was entitled to recover the commensurate license fee from the hire charges payable.

Audit observed that the advertising agencies/licensees had stopped payment of license fee amounting to ₹ 2.62 crore to the Corporation. This was on the ground that they could not use the hired buses for display of advertisements in three Regions¹²⁶ for the period from August 2015 to March 2017 and in two Regions¹²⁷ for the period from May 2014 to March 2017. The PHB owners felt that allowing advertisements with vinyl stickers would entail additional expenditure on re-painting when the stickers were removed.

Failure of the Corporation to enforce and recover the commensurate amount from the Private Hired Bus Owners/Advertising agency (March 2017) resulted in non-recovery of ₹ 2.62 crore from the advertising agency (August 2017).

The Government replied (February 2018) that all the advertising contractors have represented to the Corporation to exempt the private hired buses from the purview of the contracts stating that they were not utilising those buses for display of advertisements due to non-cooperation from the PHB owners. The matter was under examination at the Corporate Office.

The fact remained that the Corporation could not enforce the agreement terms for making PHBs available for advertising purpose, which resulted in the above loss.

- In respect of its own buses, the Corporation failed to conduct a census as per the agreement and to intimate to advertising agencies, the number of new buses added in four Regions¹²⁸ during 2014 and 2015. As a result, the Corporation lost revenue of ₹ 0.64 crore.

The Government reply (February 2018) was silent on non-intimation of new buses to the advertising agencies.

Conclusion

The Corporation did not have any policy / Manual guiding the leasing of space, shops resulting in vacant stalls and commercial spaces. There was no

¹²⁵ M/s Valayam Creations, M/s Uni Ads and M/s Go Rural India

¹²⁶ Mahbubnagar, Medak and Nalgonda

¹²⁷ Warangal and Nizamabad

¹²⁸ Mahbubnagar, Nalgonda, Nizamabad and Hyderabad region

regular monitoring mechanism and follow up action at the Corporate Office. There was no comprehensive database of the total shops and spaces available for lease, period of vacancy and the resultant loss of revenue. In some of the cases, the agreements with licensees did not include the clause for the collection of Service Tax. Other agreements, provided for collection of Service Tax however, it was not collected resulting in liability on the Corporation. Spaces in Community Amenity Centers remained vacant which lead to loss of revenue. Failure of the Corporation to enforce and recover the commensurate amount from the Private Hired Bus Owners/ Advertising Agencies resulted in non-recovery of revenue.

3.8 Non-fulfillment of objective

The Corporation, to comply with the directions of Government, to ensure safety and security of girls and women, modified city ordinary buses at a cost of ₹ 3.43 crore. However, prior assurance of fund from Government was not obtained. Of this, an expenditure of ₹ 1.39 crore did not serve its objective as the doors were broken and not repaired

On review of measures to ensure safety of women and girls in the city buses, the Government of Telangana directed (August 2014) the Telangana State Road Transport Corporation (Corporation) to propose modifications in the city buses for safety of women commuters. The modifications, in the form of a prototype bus, was submitted (November 2014) to the ‘Safety Health and Environment’ (SHE) Committee (Committee) for approval. The designs for the prototype contained:

- (i) a partition (consisting of “Door Structure” and “Honey Comb mesh”) in the middle of the bus with a sliding door facility;
- (ii) the partition had a sliding door, from where only the bus conductor was supposed to pass through;
- (iii) the grilled partition separated male passengers from female passengers.

The design was approved by the Committee in November 2014.

The Corporation estimated the cost at ₹ 16,711 per partition per bus. The work for providing partition in 2050 ‘city ordinary’ buses, was entrusted to local private fabricators. The work was completed in January 2015 at a total cost of ₹ 3.43 crore. The expenditure was met by the Corporation from borrowed funds¹²⁹.

Audit noted (December 2016) that the grill partitions in 834 buses (out of 2050 buses provided), valued ₹ 1.39 crore had broken and were thus non-functional. The Corporation had not undertaken any repairs of the grill partitions in the buses as of July 2017. This defeated the intended purpose, besides rendering the expenditure wasteful.

According to the provisions of the Road Transport Corporations Act, 1950, the Corporation shall carry out its activities on business principles. No sum shall be expended by or on behalf of the Corporation unless the same is covered by

¹²⁹ The Corporation had accumulated loss of ₹ 3,552 crore as on 31 March 2014

a current budget grant approved by the State Government. Scrutiny of relevant records however, showed that:

- (i) there was no administrative sanction for the expenditure, either by the governing department, i.e., Transport, Roads and Buildings Department or by the Department of Women, Children, Disabled & Senior Citizens.
- (ii) the Government had not committed to release funds to the Corporation for the work prior to its commencement. As a result, the Corporation executed the work from borrowed funds. The expenditure incurred by the Corporation had not been reimbursed by the Government as of July 2017 despite pursuance by the Corporation.

The Government replied (January 2018) that partitions were only proposed on experimental basis in city ordinary buses. The partitions were intact and broken sliding doors were removed for repairs and would be refitted. Further, the Government informed (June 2015) the Corporation to meet the expenditure on its own.

The reply was not acceptable as the Corporation installed grill partitions in 2050 City Ordinary buses. Installation in such a large number of buses cannot be treated as experimental basis.

The reply confirmed the fact that the Corporation had to bear the expenditure on grill partitions out of its funds.

Further, the Corporation did not ensure the repairs of grill partitions and sliding doors (December 2017) defeating the objective of providing safety and security of girls and women.



(AJAIB SINGH)

Principal Accountant General (Audit)
Telangana

Hyderabad
The 12.03.2018

Countersigned



(RAJIV MEHRISHI)

Comptroller and Auditor General of India

New Delhi
The 14.03.2018