

## Preface

**T**his Report on the audit of expenditure incurred by the Government of NCT of Delhi for the financial year ended March 2010 has been prepared for submission to the Lieutenant Governor under Article 151(2) of the Constitution of India. The Report covers significant matters arising out of the compliance and performance audits of various departments including public sector undertakings and autonomous bodies. Audit observations on the Annual Accounts of the Government would form part of a Report on State Finances, which is being presented separately.

This Report starts with an introduction outlining the audit scope, mandate and the key audit findings, which emerged during the year-long audit exercise. Chapter 2 of the report covers performance audit while Chapter 3 discusses material findings emerging from compliance audits. Chapter 4 includes results of Audit of Member of Parliament Local Area Development Scheme. Chapter 5 includes findings arising from compliance audit and performance audit of public sector undertakings.

The cases mentioned in this Report are those which came to notice in the course of audit conducted during 2009-10 as well as those which had come to notice in earlier years but could not be dealt with in previous reports; matters relating to the period subsequent to 2009-10 have also been included wherever necessary.



## Chapter 1

### INTRODUCTION

#### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from compliance audit of the financial transactions of the Government of NCT of Delhi and its public sector undertakings.

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

The primary purpose of the Report is to bring to the notice of the Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organizations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant audit observations followed by a brief analysis of the follow-up on audit reports. Chapter 2 of this report contains findings/observations arising out of the performance audit of Functioning of Land and Building Department. Chapter 3 contains observations on audit of transactions in Government Departments and autonomous bodies. Chapter 4 presents an assessment of Member of Parliament Local Area Development Scheme. Chapter 5 contains observations arising out of the performance audit and transaction audit of Statutory Corporations and Public Sector Undertakings of Government of NCT of Delhi. Weaknesses that exist in the system of project management, financial management, internal controls etc. of various Departments of the Government of Delhi are highlighted in the report through paragraphs.

#### 1.2 Auditee profile

There are 54 departments in the state at Secretariat level, headed by Pr. Secretary/Secretary who are assisted by Directors/Commissioners and subordinate officers. There are 50 autonomous bodies also.

The comparative position of expenditure incurred by the Government of NCT of Delhi during 2009-10 and in the preceding two years is given below:

**Table 1.1: Comparative position of expenditure: Trends by Activities**

(₹ in crore)

Distribution	2007-08			2008-09			2009-10		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
<b>Revenue Expenditure</b>									
General services	120.49	3128.77	3249.26	89.60	3344.96	3434.56	81.15	3548.52	3629.67
Social services	2876.04	2346.06	5222.10	3419.98	3179.39	6599.37	3858.96	4244.62	8103.58
Economic services	332.48	299.37	631.85	434.57	838.13	1272.70	802.66	847.62	1650.28
Grant-in-aid and contribution	-	667.32	667.31	-	455.95	455.95	-	517.36	517.36
<b>Total</b>	<b>3329.01</b>	<b>6441.52</b>	<b>9770.52</b>	<b>3944.15</b>	<b>7818.43</b>	<b>11762.58</b>	<b>4742.77</b>	<b>9158.12</b>	<b>13900.89</b>
<b>Capital expenditure</b>	3761.36	3.10	3764.46	3992.21	3.19	3995.40	4713.62	3.65	4717.27
<b>Total</b>	<b>7090.37</b>	<b>6444.62</b>	<b>13534.98</b>	<b>7936.36</b>	<b>7821.62</b>	<b>15757.98</b>	<b>9456.39</b>	<b>9161.77</b>	<b>18618.16</b>

### 1.3 Authority for Audit

The authority for audit is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Audit of expenditure of Departments of the Government of NCT of Delhi is carried out under Section 13 of the CAG's (DPC) Act. The CAG is the sole auditor in respect of six autonomous bodies under the Departments of Government of NCT of Delhi which are audited under sections 19(3) and 20(1) of the CAG's (DPC) Act. In addition, the CAG also conducts supplementary audit of 44 other autonomous bodies under section 14 of CAG's (DPC) Act, which are substantially funded by the Government of India. Principles and methodologies for compliance audit are prescribed in the Regulations on Audit and Accounts, 2007 issued by the CAG. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of

Section 619 of the Companies Act, 1956. The audit arrangements of statutory corporations are as shown below:

**Table 1.2: Audit arrangements for statutory corporations**

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

#### 1.4 Planning and conduct of Audit

The audit process starts with the assessment of risk of the Department/Organisation as a whole and each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the audit reports which are submitted to the Lieutenant Governor of NCT of Delhi under Article 151(2) of the Constitution of India.

During 2009-10, 2326 audit party-days were used to carry out compliance audit of 210 out of 2553 units of civil Departments/ Organizations and 750 days for performance audit, 752 audit party days for conducting audit of 34 out of 101 units of DJB and performance audit of a scheme of MCD. 1233 audit party-days were used to carry out compliance audit and performance audit of 65 units of the companies and corporations under commercial audit. Our audit plan covered those units/entities which were vulnerable to significant risk, as per our assessment.

## **1.5 Organisational structure of the office of the Accountant General (Audit), Delhi**

Under the directions of the CAG, the Office of the Accountant General (Audit), Delhi conducts audit of expenditure of all departments/offices of the Government of NCT of Delhi as well as audit of various authorities and bodies receiving grants/loans. The Accountant General (Audit), Delhi is assisted by three Group Officers.

## **1.6 Significant audit observations**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organizations were also reported.

### **1.6.1 Performance audits of programmes/activities/departments**

The present report contains two performance audits and one long paragraph. The highlights of the performance audits and long paragraph are given in the following paragraphs:

#### **1.6.1.1 Performance audit on “Functioning of Land and Building Department”**

Land and Building Department is mainly responsible to initiate the process for acquisition of land under the Land Acquisition Act, 1894(LAA) for other agencies. The department incurred ₹ 178.04 lakh during the period from 2005-06 to 2009-10 on pay and allowances of the staff working in Loan Branch but could recover only ₹ 4.18 lakh against outstanding loans of ₹ 108 lakh. Out of 3728 court cases, settled during the period 2005-06 to 2009-10, Government lost 2617 court cases though the Government had incurred expenditure of ₹ 6.40 crore on remuneration of empanelled lawyers.

Rates of water charges recoverable from the allottees of government flats at various localities where DJB water was being supplied were fixed in February 1999, while the payment to DJB was being made at the rates revised from time to time. The gap between the amount actually recovered from the allottee and the amount paid by the department to DJB has been mounting. Non-revision and rationalization of rates for water charges timely put an undue burden of ₹ 2.80 crore on the Government for the period from April 2005 to March 2010. 119 shops/ offices/snack counters at different localities were lying vacant/unused and allowed to deteriorate for 5 years to 18 years.

### **1.6.1.2 Long Para on MPLADS**

The MPLAD scheme did not result in creation of durable community assets, as the works executed in Delhi under the scheme were predominantly improvement works. Funds were irregularly released to certain societies/trusts beyond the limit prescribed. Out of 707 works, 549 works (78 per cent) had been recommended by MPs for improvement of existing assets created by MCD, DJB etc. like roads, drains, cement concrete pavements, parks etc. Thus, the scheme's resources only supplemented or filled the gaps in works undertaken under other schemes rather than adding new community assets. The MCD/DJB did not maintain any register of assets created under the scheme, in the absence of which the location and existence of assets created were not verifiable.

### **1.6.1.3 Performance Audit on “Power Generation Activities in Delhi”**

Generation companies in Delhi could not keep pace with growing demand of power in the State. Capacity addition of 1500 MW envisaged by November 2010 (1250 MW by Common Wealth Games) could not come up due to delay in execution of mega power plant at Bawana which is behind schedule by about eight months. Operational performance of power station of Indraprastha Power Generation Company Limited were affected due to low plant load factor, low plant availability, poor capacity utilization, excessive forced outages due to running on partial load, frequent shut downs and delays in repair & maintenance. Air, noise and water pollution levels at Rajghat Thermal Power Station and Gas Turbine Power Station were neither monitored regularly due to absence of online monitoring equipments nor kept with in level prescribed by Delhi Pollution Control Committee.

## **1.6.2 Compliance Audit**

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the government department/organizations. These are broadly grouped as:

- (a) Non-compliance with rules and regulations;
- (b) Audit against propriety and cases of expenditure without adequate justification; and
- (c) Failure of oversight/governance

### **1.6.2.1 Non-Compliance with rules and regulations**

- Unauthorized amendment in the terms and conditions of payment resulted in undue payment of ₹ 1.05 crore to the consultant.

*(Paragraph:3.1.1)*

- Failure on the part of divisional authorities to verify the admissible amounts before making payments to consultants, resulted in overpayment of ₹ 30.25 lakh.

**(Paragraph:3.1.2)**

- Adoption of a price variation clause in its work contracts by Public Works Department (PWD), which was not in line with general conditions of contract, resulted in avoidable expenditure of ₹ 1.48 crore in five works. Besides incorrect implementation of this clause resulted in overpayment of ₹ 40 lakh out of which ₹ 39.97 lakh has been recovered at the instance of audit.

**(Paragraph: 3.1.3)**

- Failure of the PWD to adhere to manual provisions of getting the expenditure sanction and ensuring proper land-use resulted in wasteful expenditure of ₹ 74.64 lakh.

**(Paragraph: 3.1.4)**

#### **1.6.2.2 Audit against propriety/expenditure without justification**

- The Public Works Department (PWD) awarded the work to M/s JMC over and above 10 per cent of justified cost in violation of provisions of CPWD manual resulting in undue benefit of ₹ 1.27 crore to the contractor.

**(Paragraph:3.2.1)**

- The Lok Nayak Hospital purchased surgical instruments at a cost of ₹ 1.22 crore in March 2001. After a lapse of nine years, 28 to 84 per cent surgical instruments costing ₹ 75.00 lakh were lying unused. Besides excess purchase of stents by the Hospital resulted in further wasteful expenditure of ₹ 14.88 lakh. Four Modular Operation Theatres costing ₹ 57.23 lakh could not be installed in the hospital even after lapse of two years of their receipt.

**(Paragraph:3.2.2)**

#### **1.6.2.3 Failure of oversight/governance**

- Due to inadequate planning a project to construct a hospital at Dwarka, conceived fourteen years ago, could not materialise even after incurring an expenditure of ₹ 14.20 crore and wasteful expenditure of ₹ 25.62 lakh.

**(Paragraph: 3.3.1)**

- Due to unlawful rescission of the contract of M/s. United Builders by the Department, the balance work has been executed at much higher rates resulting in extra cost of ₹ 5.42 crore.

**(Paragraph: 3.3.2)**

- Delay in filing Income Tax Return resulted in non-availing the benefit of carry forward of losses of ₹ 4.06 crore and avoidable payment of income tax to the extent of ₹ 1.38 crore.

**(Paragraph: 5.3.1)**

- Delay on the part of the Company to provide clear alternative site for work resulted in avoidable expenditure of ₹ 4.18 crore on account of cost escalation.

**(Paragraph: 5.3.2)**

- Failure of the Company to take a permanent connection and enhance the electricity load resulted in avoidable expenditure of ₹ 52.23 lakh.

**(Paragraph: 5.3.3)**

- Failure of the Company in terminating the contract despite repeated violations of the contract terms by the Licensee not only facilitated the Licensee to avail undue exploitation of Company's resources but also resulted in deviation from the basic objectives of the project.

**(Paragraph: 5.3.4)**

- The Company extended undue financial benefit to the beneficiaries by delaying recovery of advance income tax paid on their behalf causing interest loss of ₹ 40.65 lakh.

**(Paragraph: 5.3.5)**

- The state exchequer suffered a loss of ₹ 0.97 crore due to non-recovery of Value Added Tax by the Corporation from the scrap buyers in violation of the Delhi Value Added Tax Act, 2004.

**(Paragraph: 5.3.6)**

- Abnormal delay in investment of surplus EPF by the Employees Provident Fund Management of Delhi Transport Corporation resulted in interest loss of ₹ 50.09 lakh.

**(Paragraph: 5.3.7)**

- Non-availing of the benefits of monthly concessional passes on Delhi-Gurgaon Expressway resulted in loss of ₹ 0.98 crore.

**(Paragraph: 5.3.8)**



### **1.7 Response of the Departments to Draft Audit Paras**

The Draft Paragraphs are forwarded to the Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. It is brought to their personal attention that in view of likely inclusion of such Paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before Legislature; it would be desirable to include their comments in the matter.

27 draft paras proposed for inclusion in this report were forwarded to the concerned Departments of GNCTD and Management of concerned Company/ Corporation between February 2010 and December 2010 drawing their attention to the audit findings and requesting them to send their response within six weeks.

Concerned Departments/Management did not send replies to 2 out of 27 paragraphs. The response of the concerned Department/Management received in respect of 25 paragraphs, has been suitably incorporated in the paragraphs.

### **1.8 Follow-up on Audit Reports**

A review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India pertaining to Departments of Government of NCT of Delhi as of December 2010 (details in *Appendix-1.1*) revealed that a total of 63 ATNs were pending from 26 Departments/ Autonomous Bodies as of December 2010.

## Chapter 2

### Land & Building Department

#### 2.1 Functioning of Land & Building Department

##### Executive Summary

Land & Building Department (L&BD), Government of National Capital Territory of Delhi (GNCTD), is responsible to initiate the process for acquisition of land under the Land Acquisition Act, 1894 (the Act) for Departments/agencies requiring private land in National Capital Territory of Delhi (NCTD) for development projects. On receipt of the request from Departments/agencies for acquisition of private land, the Principal Secretary (L&B) brings out notifications under Sections 4, 6 and 17 of the Act for acquisition of land with the approval of Lieutenant Governor of GNCTD.

A performance audit of L& BD covering the period from 2005-06 to 2009-10 was conducted in April- May 2010 covering the matters of operational efficiency, financial management, property management issues and monitoring by top management. The performance audit revealed:

- ❖ The decision of the Union Cabinet dated 22 August 1987 to set up a separate Housing Board could not be implemented till March 2011, thereby restricting the planned development of the city and availability of affordable houses to its citizens.
- ❖ The recovery of loan through Housing Loan Branch of Department was grossly uneconomical. Against the outstanding loans of ₹108 lakh, a sum of ₹ 4.18 lakh could only be recovered during the period from 2005-06 to 2009-10. The expenditure of the Housing Loan Branch during this period was ₹178 lakh.
- ❖ There were inordinate delays in land acquisition cases. In 20 test checked cases though the land was to be acquired on urgent basis for development projects by DMRC, DDA and MCD, the L&BD took three to 24 months just to get approval of Lieutenant Governor for notification under Sections 4 and 17 of the Act. Sixty two cases for land acquisition were pending with the Department as on September 2010, out of which seven and 45 cases pertained to the period from 1992 to 2000 and 2000 to 2008 respectively.
- ❖ The Public Works Department (PWD) had not maintained centralized records for government properties. In the absence of such records it could not be ascertained how many quarters/flats and other properties are owned by the GNCTD.

- ❖ Non-revision and rationalization of rates for water charges timely put an undue burden of ₹ 2.80 crore on the government during the period from April 2005 to March 2010 as PWD has been supplying DJB water to 3820 flats in 9 colonies at old rates while it paid charges for water supplied to Delhi Jal Board at the revised rates.
- ❖ 984 Government flats at 18 locations were lying unallotted, though PWD & Housing (Estate Branch) had 4581 employees in the waiting list for allotment of government flats, as of May 2010.
- ❖ The Department failed to timely recover the ground rent from allottees of 10 petrol pumps. As a result an amount of ₹ 1.48 crore was lying outstanding against them as of March 2010.

### 2.1.1 Introduction

Land & Building Department (L&BD), Government of National Capital Territory of Delhi (GNCTD), is mainly responsible to initiate the process for acquisition of land under the Land Acquisition Act, 1894 (the Act) for other agencies. Departments/ agencies requiring private land in National Capital Territory of Delhi (NCTD) for development projects make requisitions to L&BD for acquisition of identified piece of land. On receipt of the request from agencies like Delhi Development Authority, Delhi Jal Board, Delhi Metro Rail Corporation, Public Works Department etc. for acquisition of private land, the Principal Secretary (L&B) brings out notifications under Sections 4, 6 and 17 of the Act for acquisition of land with the approval of Lieutenant Governor of GNCTD. The role of L&BD is limited to bringing out notifications and arranging funds from land requiring agencies for payment of compensation to land owners. All other subsequent functions relating to acquisition of land are performed by respective Land Acquisition Collectors, who discharge their official functions under the administrative control of Divisional Commissioner, GNCTD.

In addition, Land & Building Department is also responsible for -

- custody, management and disposal of the government property including agricultural land declared by law to be evacuee properties left behind by the migrants to Pakistan after partition of the country;
- maintenance of the ownership record of all government properties situated in NCTD;
- pursuing the legal matters in different Courts of law relating to land acquisition; and
- recovery of housing loans disbursed by Assistant Housing Commissioner.

Upto September 2009, the Public Works Department & Housing (PWD&H), GNCTD, which manages the Government's residential and commercial properties and coordinates with the NCR Planning Board, was also part of this Department.

### **2.1.2 Organizational set-up**

Principal Secretary (L&B) is head of the L&B Department and is assisted by an Additional Secretary. The department has seven main branches<sup>1</sup> and each branch is headed by a Deputy Secretary. PWD and Housing is headed by the Principal Secretary (PWD & Housing) and is assisted by one Additional Secretary, one Joint Secretary and Assistant Housing Commissioner.

### **2.1.3 Scope of audit and methodology**

The audit was conducted during April and May 2010 covering the period 2005-06 to 2009-10. It covers mainly matters of operational efficiency, financial management, property management issues and monitoring by top management. The audit examination involved scrutiny of records of L&BD and PWD&H.

The audit commenced with an entry conference held on 25 May 2010 with the Principal Secretary (L&B), GNCTD, wherein the objectives, methodology and modalities of the audit were discussed. An exit conference with the organization was held on 4 February 2011 in which audit observations/ aspects pointed out in audit were discussed.

### **2.1.4 Audit objectives**

The broad objectives of audit were to assess the effectiveness in functioning of different branches of Land & Building Department and Public Works Department & Housing on the following parameters:-

- Financial management budgeting and proper utilization of the funds provided by land acquisition agencies;
- Planning and operational management;
- Management of Government properties; and
- Internal control mechanism

### **2.1.5 Audit criteria**

Audit criteria adopted for assessing the effectiveness of audit were-

- Land Acquisition Act, 1894;

<sup>1</sup>(i) Land Acquisition Branch, (ii) Alternative Plot Branch, (iii) Evacuee Property Cell, (iv) Housing Loan Branch, (v) Legal/ Writ Cell, (vi) Central Land Record Cell and (vii) Accounts Branch

- Allotment of Alternate Plots (Guidelines for Applicants);
- National Capital Region Planning Board Act, 1985;
- General Financial Rules, Supplementary Rules and other rules in force; and
- Government residences (General Pool) Rules, 1977.

## **Audit Findings**

### **2.1.6 Planning and Operational Management**

#### **2.1.6.1 Non-setting up of separate Housing Board for NCT of Delhi**

In order to cope up with the shortage of housing units in NCT of Delhi, the Estimates Committee of Seventh Lok Sabha recommended in its 85th Report (May 1981) setting up of a Housing Board for Delhi in order to relieve the Delhi Development Authority (DDA) from the responsibilities which were not assigned to DDA under the DDA Act, 1957.

The Union Cabinet approved the proposal for setting up a separate Housing Board in August 1987. The Ministry of Urban Development conveyed the decision of the Cabinet to the Lieutenant Governor of NCT of Delhi on 16 June 1988 with a request to implement it. The Lieutenant Governor on 16 December 1997 accorded his approval in principle after a lapse of almost 10 years. The Council of Ministers, Government of NCT of Delhi on 19 December 1997 and 21 March 1998 approved the proposal and decided to extend the Haryana Housing Board Act 1971 with appropriate modifications in the NCTD. L&BD forwarded the decision of the Council of Ministers along with modified Haryana Housing Board Act, 1971 in June 1998 to Ministry of Home Affairs (MHA) for approval. Thereafter no effective steps were taken by the L&BD, GNCTD to get the proposal approved from MHA. The approval of the MHA was still awaited (March 2011).

The above facts show that the decision of the Union Cabinet dated 22 August 1987 could not be implemented till March 2011. This delay restricted the planned development of the city and availability of affordable houses to its citizens. It is evident from the fact that in 2008 GNCTD launched a campaign to regularize 1639 unauthorized colonies. The matter was referred to the department (April 2010); their reply was awaited (February 2011).

### **2.1.6.2 Inadequate management of Evacuee Properties**

After partition of the country in 1947, the Central Government issued Ordinance No. XXVII of 1949 for vesting management and control of the properties left behind by owners who migrated to Pakistan. The Administration of Evacuee Property Act, 1950 came into force on 17 April 1950.

The Displaced Persons who came from Pakistan applied for allotment of land in Delhi. Subsequently, the Committee for Allotment of Land made allotment of buildings on rent during the period from 1948 to 1954 under various Acts<sup>2</sup> as a measure of rehabilitation out of the evacuee properties.

In the year 1989 the residuary work of Evacuee Property of Delhi state was transferred to Land & Building Department, GNCTD for its disposal in public interest along with 46 posts in different cadres. All these posts were ex-cadre posts and had separate budget provision. A Cell comprising of these officials namely Evacuee Property Cell (EP Cell) was constituted in L&BD in May 1989 to deal with the matters relating to evacuee property.

The Ministry of Home Affairs handed over the following properties/lands/works in April 1989 to Delhi Administration for disposal:

- (a) 135 cases in which Sanad, Conveyance Deed and Sale Certificates were to be issued;
- (b) 730 Bighas 04 Biswa of rural agricultural land available in 26 different villages;
- (c) 683 built up properties in different areas of municipal wards of Delhi; and
- (d) 121 urban plots in different areas of Delhi.

Audit however observed that the department had not disposed of any of the properties after taking over from the Union Government and also discontinued the collection of rent from the allottees of built-up urban properties since 2003.

In 2005 the Government of India notified the Displaced Persons claims and other Laws Repeal Act, 2005 and informed the L&BD that proceedings under the repealed Act would come to an end. Accordingly, the L&BD has no legal power to deal with such properties to dispose them of. However, EP Cell has been continuing and the department had booked an expenditure of ₹ 2.41

<sup>2</sup>The Administrative of Evacuee Property Act, 1950; The Displaced Persons (Claims) Act, 1950; The Evacuee Interest (Separation) Act, 1951; and The Displaced Persons (Claims) Supplementary Act, 1954

crore on pay and allowances against this inactive Cell during the period 2005-06 to 2009-10.

Thus, failure of the department in disposing of or managing the properties in a timely manner resulted in not only infructuous expenditure on pay and allowances of EP Cell but also in encroachment of 730 bighas 04 biswa of agricultural land and village properties and non recovery of rent from urban properties. Government could have earned a substantial amount of money had the department disposed of the above properties before enactment of Displaced Person claims and other laws Repeal Act, 2005.

The department stated (January 2011) that since the power of managing officer, who is competent for management and disposal of evacuee property had been delegated vide gazette notification dated 19 August 2010, legal action against the encroachments would be initiated and disposal of the property would take place on merit. Reply is not acceptable as the said notification delegates the power only for handling the cases already in Courts. The department still has no legal power to dispose of the evacuee property and in absence of any legal provision, the department is not in a position to initiate legal action against the unauthorized occupants of evacuee properties.

### 2.1.6.3 Un-economical recovery of outstanding housing loans

The Assistant Housing Commissioner (Loan) (AHC) GNCTD was implementing a Scheme for providing loan to the plot holders for construction of houses since 1955. Although the Scheme had been discontinued in 1993, work for recovery of outstanding loan remained with AHC. However, administration of the office of the AHC alongwith services of 35 officials working in the office of the AHC was taken over by L&BD in 2001. The position of loanees and amount recovered during the period 2005-06 to 2009-10 is given below:

**Table 2.1: Position of outstanding loan and expenses on loan branch**

(₹ in lakh)

Period	Number of loanees	Loan outstanding	Amount recovered	Expenditure on this branch
2005-06	4330	108	1.38	31.23
2006-07	4200	106	1.35	25.78
2007-08	4100	105	0.75	30.01
2008-09	4080	104	0.45	42.55
2009-10	4070	104	0.25	48.47
			<b>4.18</b>	<b>178.04</b>

It may be seen from above that as against the outstanding loans of ₹ 108 lakh a sum of ₹ 4.18 lakh could only be recovered during the period from 2005-06 to 2009-10 by incurring an expenditure of ₹ 178.04 lakh on Housing Loan Branch. The recovery of loan through departmental resources was grossly



uneconomical. Though performance of this branch was not satisfactory, the department has been receiving the budget regularly against the sanctioned strength of this branch. This reflects lack of monitoring of the department and absence of concern towards expenditure out of the government exchequer.

Further, the LG had approved (April 2004) the proposal of the department to request Delhi Financial Corporation (DFC) to take this work on fee basis or on percentage of amount recovered. Subsequently, the department contacted DFC for recovery and statements of defaulters were forwarded to them (February 2005) but no decision was conveyed by DFC so far.

The department stated (May 2010) that in most of the cases the original loanees had expired and after due certification of legal heirs of the loanees by Sub District Magistrate full and final recovery has to be effected. The reply is not acceptable as had the department initiated timely action against the defaulters, recoveries would have been possible.

#### **2.1.6.4 Ineffectiveness of the legal cell/writ cell and Non-recovery of administrative and legal cost of acquisition**

- Acquisition of land by Government is generally resisted by landowners and the notifications/ awards for acquired land are usually challenged in various Courts. The L&BD has one Legal Cell and one Writ Cell to attend to these cases in various Courts from Government side. These Cells are headed by Deputy Legal Advisor and OSD (Litigation) respectively and these Cells appoint lawyers to pursue these cases in various Courts. The statistics of the cases pending/ won/ lost by the Government during the period from 2005-06 to 2009-10 is given below:

Number of cases settled	Number of cases decided in favour Government	No. of cases lost by Government
3728	1111	2617

The above data shows that only 29.80 *per cent* cases were decided in favour of the Government whereas 70.20 *per cent* cases were decided against the Government. Thus, even after incurring an expenditure of ₹ 6.40 crore during the period 2005-06 to 2009-10 on the remuneration of empanelled lawyers the Government was unable to defend its action.

- As the department defends the interest of land requiring agencies, the expenditure on the court cases should have been borne by the agency concerned but no such recovery was ever made. The department stated (February 2011) that Legal Cell of L&BD defends the interest of Land Acquisition Collector (LAC) and UOI and not of the company. Reply is not acceptable as land is acquired by LAC for other agencies and

compensation is paid to land owner by the agency for whom land is acquired. Enhancement in compensation by Courts, ultimately affects the land requiring agency and, therefore, the legal cost needs to be recovered from the land requiring agencies.

- Section 41 of the Act provides that if the land acquiring agency is a company then it is liable to pay the cost of acquisition to the appropriate Government, which in case of Delhi is Land and Building Department. L&BD acquires the land mainly for DDA, DMRC, DJB and DSIDC. All these organizations except DDA fall under the category of “Company” and in terms of Sections 40(b) and 41 of the Act, were/are liable to pay cost of acquisition to L&BD. However, it was noticed that recovery of administrative cost on acquisition had never been made by the department from any agency. The department stated (February 2011) that in the absence of guidelines/ instructions no recovery was made. Reply is not acceptable as under the provision of the Act, it was incumbent upon the department to recover the administrative costs wherever applicable.

#### **2.1.6.5 Ineffective Monitoring System of legal matters**

Land Acquisition Collector (LAC) is the sole authority under Section 11 of the Act for determination of compensation to the land owners for the land acquired, subject to prior approval of the Principal Secretary (Revenue), GNCTD.

The compensation determined by the respective LACs under section 11 of the Act is usually challenged by the landowner. The landowner files an appeal with the LAC and the Court of Law for enhancement in the compensation, who in turn forwards the appeal to the Court of concerned Additional District Judge (ADJ). If Court enhances the compensation, the LAC seeks the approval of Principal Secretary (L&B) through Legal Cell of L&BD on whether the enhanced compensation is to be paid or the judgement is to be challenged in the Higher Court. The decision of the Principal Secretary (L&B) is communicated to the concerned LAC for compliance but there is no system in place in Legal Cell to watch the compliance of the orders of the Principal Secretary (L&B) by LAC. The department confirmed in October 2010 that during the period from 1 January 2005 to 31 December 2009, in 1659 cases the LACs were advised to file the appeals in higher Courts but only in 824 cases, the LACs confirmed filing of appeals. It clearly shows that department was not aware of the status of 835 cases. In the absence of an effective monitoring system the possibility of the LAC not filing the cases in Higher Courts against the orders of enhancement by Lower Courts within the stipulated time limit despite orders of the Principal Secretary cannot be ruled out. This may have resulted in the department having to pay enhanced compensation. Two such cases are narrated below:

- (i) The LAC (South) awarded compensation to Shri Jai Singh at the rate of ₹ 4820 per bigha for block-I(A) and ₹ 3000 per bigha for block-II(B) vide Award No. 26/1974-75. The awardee filed the case on 15 March 1998 in the Court of Additional District Judge (ADJ) for enhancement of compensation. The ADJ enhanced the compensation from ₹ 4820/3000 per bigha to ₹ 24000 per bigha on 30 May 2007. The Principal Secretary (L&B) directed the LAC on 16 October 2007 to challenge the orders of ADJ in High Court on the same lines as it was filed in the case of Dula Ram Vs. UOI. LAC did not file the case in High Court on the ground that no SLP was filed in Dula Ram case and made payment of ₹ 86.97 lakh on 16 May 2008 on account of the enhancement made by ADJ without resubmitting the case to Principal Secretary.
- (ii) Similarly, in another case, the LAC (South) acquired the land of Shri Balbir Singh of village Ladho Sarai at the rate of ₹ 3,300 per bigha in December 1997. The owner of land filed the case in March 1998 in the Court of ADJ for enhancing the compensation. The ADJ enhanced the compensation on 10 November 2006 from ₹ 3300 to ₹ 20,000 per bigha. Principal Secretary (L&B) directed LAC on 27 September 2007 to file the case in High Court on the lines as it was filed in the case of Shri Dula Ram Vs. UOI. However, the LAC informed the Principal Secretary on 17 November 2007 that no SLP was filed in the case of Dula Ram Vs. UOI. Relying on the statement of LAC, Principal Secretary approved the proposal to accept the judgement of ADJ on 5 December 2007. Accordingly, the LAC made a payment of ₹ 45.34 lakh to the party in August 2008 on account of enhancement made by ADJ.

In both these cases the LAC took the support of the case of Dula Ram Vs. UOI for not filing the case in higher Court. It was noticed in audit that the failed LAC to file the case in Supreme Court against the order of High Court dated 19 July 2002. The LAC remained inactive till March 2004 when Principal Secretary (L&B) approved filing of SLP in Supreme Court though the time limit for filing SLP against the judgement had expired. The LAC on 27 April 2004 requested the Government Advocate to file the Special Leave Petition in Supreme Court as enhancement of compensation by the High Court was on the higher side. However, for want of certain documents SLP could not be filed. Later in May 2004, the Legal Adviser of L&B in his note to Principal Secretary mentioned that the case had become time barred and keeping in view other similar cases, filing of SLP would not serve any purpose. Principal Secretary on 28 May 2004 had shown his agreement with the opinion of the Legal Adviser. However, while releasing the fund to LAC for payment of compensation, the department again directed the LAC to file the SLP, if not filed earlier.

Due to inadequate monitoring and lack of coordination between LAC and Legal Cell of L&BD, the failure of LAC could not be brought to the notice of Principal Secretary (L&B) by Legal Cell while seeking orders in two cases referred above. The orders of Principal Secretary in both the cases might have been different had the Legal Cell brought the failure of the LAC in the case of Dula Ram Vs. UOI to the cognizance of Principal Secretary timely and in that event there was a possibility that this amount of ₹ 1.32 crore could have been saved.

While confirming other facts the department stated (January 2011) that the opinion of the Government counsel to file SLP against Dula Ram's case was reviewed and a decision not to file the appeal was taken. Reply is not acceptable as reasons for not filing the appeal was inaction on the part of LAC and non-availability of certain documents required by Government counsel to file the case. The Principal Secretary recorded his consent on 28 May 2004 not to file the SLP but while releasing the amount of compensation to LAC on 24 June 2004 department directed the LAC to file the appeal and same direction was given by DDA also on 10 June 2004.

#### *2.1.6.6 Working of the Alternate Plot Branch*

L&BD has been implementing a scheme of allotment of alternate plots in lieu of acquired land under “Large Scale Acquisition, Development & Disposal of Land in Delhi” announced by Government of India, Ministry of Home Affairs in May 1961. The scheme is in force since 2 May 1961 and is purely a welfare measure.

The L&BD invites applications from eligible persons for grant of alternate plots under this Scheme. For allotment of alternate plots, NCT of Delhi has been divided in three zones. L&BD generally recommends the allotment of alternate plots in the same zone from where the land was acquired. Allotment of plots is made by DDA on recommendation of L&BD as per policy/ norms laid down. In the L&BD, the work of allotment for alternate plot is dealt by Alternate Plot Branch. Position of the applications received during last five

years and recommendation made for allotment is given below:

**Table 2.2: Position of pending applications for alternate plots**

Year	Opening balance of applications for alternate plots	Number of applications received during the year	No. of plots recommended for allotment to DDA	Closing balance of pending cases
2005	3744*	1429	192	4981
2006	4981	2262	160	7083
2007	7083	1020	254	7849
2008	7849	394	22	8221
2009	8221	234	-	8455
2010	8455	65	-	8520
<b>Total</b>		<b>5404</b>	<b>628</b>	

\*there were 3744 applications pending as on 1 January 2005.

The above table shows that as against 5404 applications received during 2005-2010, only 628 names were recommended to DDA for allotment and 8520 applications were pending. Audit also noticed that after recommending the name to DDA, the L&BD does not keep any track to watch whether the plot had been allotted to the applicant or not and whether all the plots allotted under this Scheme were to the persons recommended by the Department. It was further noticed that this Cell did not maintain priority list for the applications received from the persons whose land had been acquired. Non-maintenance of priority list is an indicator of lack of transparency in procedures, smacks of arbitrariness and is susceptible to misuse by the concerned authority.

The department stated (May 2010) that a sub-committee had been constituted in September 2008 for scrutiny of pending applications and to submit the case to Allotment Committee for consideration and allotment. The Committee was yet to make its recommendations. The reply is not acceptable as the fact that Committee had not done anything so far suggests gross lack of will to act affirmatively and bring transparency and accountability in the matter.

#### **2.1.6.7 Delay in land acquisition**

Sections 4 and 6 of the Act stipulate that whenever it appears to appropriate government that land in any locality is needed for public purpose, a notification to that effect should be published in the official gazette and two daily newspapers. Thereafter under Section 11 of this Act, the Land Acquisition Collector (LAC) after due enquiry shall make an award under his hand of the compensation for the land acquired. In case of urgency, Section 17 of the Act empowers the appropriate government to take the possession of land through LAC even when no award has been made.

In NCTD, the L&BD issues the notifications u/s 4 and 6 of the Act for acquiring the land under Section 7 of the Act through respective LACs. There are 10 LACs in GNCTD, who discharge their official functions under the administrative control of Principal Secretary (Revenue), GNCTD. The respective LAC, under whose jurisdiction the land under acquisition falls, brings out draft notification under Section 4 of the Act for approval of Lieutenant Governor.

Audit observed that the department did not maintain any index or case register for land acquisition cases. Consequently, the total number of files/ cases in the LA Cell could not be ascertained. Further, no centralized records such as case register or index register were being maintained by the LA Cell to register the details such as date of receipt of request for acquisition of land, date on which it was sent by LAC and date of publication of the notifications u/s 4, 6 and 9. In the absence of case register, chances of omission increase and it is difficult to keep a watch on the progress of these cases by the top management of L&BD.

Audit scrutiny of randomly selected 20 files (**Appendix 2.1**) relating to land acquisition revealed that in these cases though the land was to be acquired on urgent basis for development projects by DMRC, DDA and MCD, the L&BD took three to 24 months just to get approval of Lieutenant Governor for notification under Sections 4 and 17 of the Act and in 19 cases the date of handing over the acquired land to the concerned agency was not mentioned in the files. Further, the reason for such delays was lack of coordination between the L&BD and LAC as LAC did not furnish the required information regarding land to L&BD in one go, a lot of correspondence between the two had taken place to get the draft notification from LAC complete in all respect. It was further noticed that there were 62 cases pending with the LAC/L&BD as on September 2010 for land acquisition, out of which seven and 45 cases pertained to the period from 1992 to 2000 and 2000 to 2008 respectively. In NCTD the demand for land is made by different agencies for developmental projects and delay in making the land available to these agencies has the risk of hampering the progress of infrastructure development in Delhi. Efforts should have been made to draw time lines for all activities required to be undertaken under the Act for land acquisition.

The matter was referred to the department (August 2010). In their reply (January 2011) the department accepted that there was no fixed time frame for issuance of notification under section 4 of LAA after receiving the request from any agency for acquisition of land but efforts were being made to expedite the issue.

**2.1.6.8 Non-compliance of the orders of Hon'ble Delhi High Court**

While hearing Writ Petition (Civil) No. 4582/2003 regarding encroachment of Government land in NCTD, Hon'ble Delhi High Court (DHC) directed the Chief Secretary, GNCTD on 31 August 2006 to evolve a methodology to establish a Centralized Land Ownership Record of Government land to check unauthorized encroachment of Government land by unscrupulous persons. In the meeting held on 10 October 2006 under the Chairmanship of Secretary (UD), the L&BD was nominated as the nodal department for collecting and maintaining the centralized inventory of government land in NCT of Delhi. The High Court allowed six months' time for completion of this job on 16 November 2006.

A Central Land Record Cell (CLR Cell) was established in L&BD in October 2006. The department got software namely Government Public Asset Management System (PAMS) developed through NIC to computerize the land records and 19 posts in different cadres were sanctioned for this Cell. Land records for the land not only under possession of GNCT but also under possession of Central Government agencies, agencies of other states/ union territories, public sector undertakings were to be maintained by this Cell. However, it was noticed that the CLR Cell was not functioning effectively since inception for want of requisite data and records from land owning agencies. The department had not evolved any methodology to identify the government departments which have the land in their names in NCT of Delhi and to obtain an authenticated data of the land/ property in their possession or belonging to them. As against 19 posts only one Lower Division Clerk was posted in this Cell. Thus, inspite of the orders of Delhi High Court, the department could not evolve and implement any methodology to collect the data/ record from Government land owning agencies and failed to establish centralized record of ownership.

The matter was referred to the department (June 2010). In their reply (July 2010) the department stated that staff on the strength of CLR Cell has been posted/ deputed to the other branches of L&BD due to shortage of staff. However, more than 300 letters were sent to different Government departments and they were directed to enter the information regarding their property in PAMS software using login ID and password created by the CLR Cell. The department stated that data entry in PAMS software by the land owning departments relating to government land/ properties was a continuous process. The officials of CLR Cell were also pursuing these regularly to upload the data of their properties. The reply is not tenable as department did not evolve any mechanism to identify all property owing government departments/ agencies. Their job had been limited to sending letters to some government departments and allotment of login ID and password. CLR Cell had no mechanism to compel all property owning departments/agencies to make the entry in the software and to ensure

that all departments/ agencies have made complete and correct entries. Thus, the CLR Cell failed to serve the purpose, for which it was established. Collection of data of the government properties can not be an open ended process and it should have been completed in a time bound manner.

### 2.1.7 Financial Management

#### 2.1.7.1 Unjustified Grant-in-Aid of ₹ 350 crore to NCR Planning Board

National Capital Region Planning Board (NCRPB) came into force on 19 October 1984 by virtue of NCR Planning Board Act 1985 enacted by the Parliament. The Board includes Union Minister of Urban Development as the Chairman and the Chief Minister of Delhi as one of the members.

This Board functions entirely on commercial lines and maintains a National Capital Region Planning Board Fund. Out of this fund, it provides loan to the participating states at 7 to 8 *per cent* interest for their development projects. To raise the capital in NCRPB Fund it issues Bonds in money market. These Bonds have been rated AAA by CRISIL and CAAA by ICRA.

It was noticed that the GNCTD had provided a sum of ₹ 350.75 crore to NCRPB during the period from 1993-94 to 2008-09 (*Appendix-2.2*). These funds were provided to NCRPB as contribution. Scrutiny of the documents submitted by NCRPB asking for grants revealed that these Plan funds were utilized by NCRPB to increase the capital in “National Capital Regional Planning Board Fund”.

The financial position of the NCRPB during last six years was as under:

**Table 2.3: Financial position of NCRPB**

(₹ in crore)

Date	Amount in banks	Amount of income over expenditure (Plan)	Loan to States	Capital Fund NCRBF
31.3.2004	834.81	79.39	912.93	1111.83
31.3.2005	669.00	758.14	895.51	1245.83
31.3.2006	69.47	73.28	1062.27	1394.44
31.3.2007	250.00	94.77	1723.00	1565.10
31.3.2008	172.93	107.71	1771.69	1822.90
31.3.2009	181.83	115.86	2235.38	2005.23

Source: Annual Accounts of NCRPB

<sup>3</sup>Credit Rating Information Services of India Limited

<sup>4</sup>Investment Information and Credit Rating Agency



From the above table, it is evident that the NCRPB is a self-sustaining body functioning purely on commercial lines and giving grants to it was not justified. Moreover, while the GNCTD has been providing grants to the NCRPB, on other hand, in 2004-05 Municipal Corporation of Delhi had raised loans from it at commercial rate of interest for their projects. The Principal Secretary (Finance), GNCTD also questioned (October 2006) such grants and directed the department to evaluate the benefits from NCRPB to Delhi but nothing was done in this regard. The matter was referred to the department in April 2010. In their reply (December 2010), the department stated that grant released by GNCTD was not used to increase the capital in NCRPB fund. The NCRPB helped creation of employment opportunities in NCR outside Delhi and percentage of share of net migrants in the decadal growth of population in NCTD reduced from 45.06 per cent in 1961-71 to 39.82 per cent in 1991-2001. The reply is not acceptable as the sanction letter mentions the purpose of grant as contribution to NCRPB fund and this grant formed part of NCRPB fund. In April 2010, the department confirmed to audit that no study to evaluate the benefit availed/ achieved by Delhi against the funds released so far to NCRPB had ever been conducted.

#### **2.1.7.2 Improper management of the funds put in PLA**

The L&BD has been maintaining a Personal Ledger Account (PLA) in Reserve Bank of India. The money received by L&BD for compensation of land acquired/ to be acquired from the agency requiring land, have been deposited in this account. As on 31 March 2010, an amount of ₹ 337 crore was lying in this account. Audit also observed that:

- (i) No reconciliation of funds in PLA with the Land Acquisition Collectors (LACs) or with the agencies was ever carried out by the department. In the statement issued on 1 February 2010, State Bank of India showed that an amount of ₹ 310 crore was lying in the LACs' account but no details of this amount were available with the department.
- (ii) LAC (North-West) in January 2007, forwarded a cheque of ₹ 150 crore to L&BD without mentioning the details as to whom this money belonged to. The L&BD deposited this cheque in PLA. Neither the L&BD nor the LAC (North-West) knows to whom this amount of ₹ 150 crore was payable. Resultantly, the amount has been lying in PLA unclaimed, and hence unproductive.
- (iii) Similarly, the department in March 2007 had written back in cash book of PLA an amount of ₹ 14 crore for the cheques issued by L&BD but not presented by LACs in Bank. No detail as to why these cheques were not presented by LAC in bank and what is to be done to this money has been worked out. This amount is also lying unclaimed.

The department stated (October 2010) that matter had been taken up with LAC South and RBI to reconcile the balance in PLA.

### *2.1.7.3 Non-Adjustment of advances*

As per Rule 292(2) of the General Financial Rules, the officer drawing money for making advance payment to suppliers for supply of stores etc. is responsible for its adjustment within 15 days of its drawal. It was, however, noticed that advances aggregating ₹ 49.48 lakh given between the period March 2007 and March 2010 pertaining to purchase of computers, printers and advance salaries to DEOs etc. were lying outstanding for a period of four to 40 months for want of adjustment bills.

The department stated (October 2010) that the matter had been taken up with the firms to adjust the advances.

### *2.1.8 Inventory Control Management*

#### *2.1.8.1 Poor Management of stock register*

Scrutiny of stock register revealed that:

- (i) Details of non-consumable items such as purchase price, date of purchase, date of issue, name of the person to whom issued, date of disposal, if any, sale price were not filled in the respective columns of stock register. Stock register also did not provide the assurance that it contained entries of all the goods procured by the department.
- (ii) Ten mobile phones procured from 2003 to 2008 at a cost of ₹ 74,599 were lying unused in store. Instead of utilizing these phones, the department procured new mobile phones for eligible officers. In view of the economy measures, the department should have ensured using the available phones instead of procuring new ones.

The department stated (October 2010) that efforts were being made to complete the stock register.

#### *2.1.8.2 Non-conducting of physical verification of stores*

As per Rule 192 of General Financial Rules, physical verification of all the consumable/ non-consumable goods and material should be undertaken at least once in a year in the presence of the officer responsible for the custody of the inventory and discrepancies noticed, if any, should be recorded in the stock registers for appropriate action by the competent authority.

Test-check of stock registers of consumable/non-consumable items maintained by general branch revealed that the physical verification of the stocks had not been conducted by the department for the period under review. As such, discrepancies including shortages, damages and unserviceable goods could not be ruled out.

The department stated (May 2010) that due to incomplete entries in the stock registers of consumable/non-consumable items, the required verification could not be held. However, they have started the process of completing the stock registers and after completing the registers, physical verification would be conducted on priority basis.

### **2.1.8.3 Non-compliance of the observations of internal/statutory audit**

Audit helps an entity in identification of its systemic weaknesses and core areas requiring special attention of top management. It also facilitates the Chief Executive Officer (CEO) to assess the level of performance of manpower machinery of that entity. Timely compliance of audit reports is an indicator of efficient functioning of an entity and it also provides assurance that an effective monitoring system is in place.

Internal audit of L&BD is conducted by Director of Audit, GNCTD. A review of the Inspection Reports issued by Directorate of Audit, GNCTD revealed that seven Inspection Reports pertaining to the period from 1976-77 to 2008-09 containing 50 outstanding paragraphs were pending (July 2010) for want of compliance as detailed in **Appendix-2.3**.

Statutory audit of the L&BD is entrusted to the Accountant General (Audit) Delhi, New Delhi. A review of the Reports issued by the Office of the Accountant General (Audit) Delhi revealed that 16 Inspection Reports pertaining to the period 1979-81 to 2006-07 containing 56 paragraphs were lying outstanding with the department as detailed in **Appendix-2.3**. Further, the department had not sent the first compliance of the Inspection Reports issued by the Accountant General (Audit) and Director of Audit in July 2008 and August 2009 respectively and all the paras of these Inspection Reports were outstanding.

Large pendency of audit observations/ inspection reports indicate weak internal control mechanism and improper monitoring by management.

## Public Works Department & Housing

### 2.1.9 Planning and operational management

#### 2.1.9.1 Inadequate functioning of NCR Planning and Monitoring Cell

National Capital Region Planning Board (NCRPB) was set up with a vision to disperse/ reduce the pressure on National Capital City of Delhi. Subsequently, a Planning and Monitoring Cell (Cell) was created in L&BD/PWD in 1997 to coordinate with NCRPB for planning and monitoring of development of infrastructure in NCR. In the development of NCR, this Cell is required to play a crucial role. However, audit observed that the Cell did not make any significant contribution as brought out in the following paragraphs.

Five posts<sup>5</sup> were sanctioned in 1996-97. The department has been projecting its requirement for creation of 18 more posts including post of Town Planner since 2002-03 to the Planning Department and for some office equipments. Though the expenditure of these posts and funds for office equipments was to be reimbursed by NCRPB no new posts/ equipments were sanctioned by GNCTD. Moreover, out of five posts sanctioned earlier three posts have not been filled up. The post of Associate Town Planner, the only technical post has been lying vacant since April 2007. It was noticed that in absence of adequate manpower and office equipments, there was no significant contribution of the Cell in NCR Planning and its functions were limited just to participate in various meetings of NCRPB. In their reply (December 2010) the department stated that this Cell kept coordination with various departments of GNCTD, Government of Haryana and also arranged various meetings of Lieutenant Governor, Chief Minister and Principal Secretaries of various departments of GNCTD. It also added that vacant posts would be filled up shortly. The reply is not tenable as no planning work was undertaken by this Cell and it has no mechanism to monitor the development work in NCR.

#### 2.1.9.2 Non-claiming the expenses of NCR Planning and Monitoring Cell

The expenditure of this Cell was to be reimbursed by NCRPB but the department did not submit the claims to NCRPB for the year 2006-07 to 2009-10 whereas the department had booked an expenditure of ₹ 37.44 lakh against this Cell during this period.

The department stated (January 2011) that the matter had been taken up with NCRPB and progress would be intimated in due course.

<sup>5</sup>One Joint Secretary, one Associate Town Planner, two Stenos and one peon.

### **2.1.9.3 Non-preparation of Sub-Regional Plan**

As per Section 17(1) of NCRPB Act 1985, every participating State and UT is required to prepare a Sub-Regional Plan for the sub-region within that state falling under NCR. The Master Plan for Delhi 2021 also required GNCTD to prepare a Sub Regional Plan.

Audit observed that Regional Plan 2021 for NCR had been finalized and notified on 17 September 2005 by the NCRPB but the department had not prepared the Sub-Regional Plan for Delhi region.

Upon being pointed in audit the department stated (December 2010) that the Master Plan of Delhi (MPD) 2021 had been approved by Government of India. As far as the issue of Sub-Regional Plan of Delhi Sub-Region under the Regional Plan 2021 of NCRPB is concerned, it might be pointed that Delhi had a peculiar status with respect to its planning and development related issues. The DDA, by virtue of DDA Act 1957 is solely responsible for planning and development of entire territory of Delhi through the instrument of Master Plan. Therefore, the outcomes of the Sub Regional Plan, which were supposed to cover the area outside the urban zone within Delhi, have little significance in the context of Delhi and it would be duplication of MPD 2021. The reply is not acceptable as the MPD 2021 itself recommends that as a follow-up of the Regional Plan 2021 and in consonance with Section 17 of NCRPB Act 1985, a Sub Regional Plan for Delhi was to be prepared by GNCTD. It was also recommended in MPD 2021 to constitute a high level group by GNCTD to ensure timely preparation of Sub Regional Plan.

### **2.1.9.4 Poor management of government property**

Office of the Principal Secretary (PWD and Housing), GNCTD is responsible for construction and maintenance of buildings and general pool accommodations of GNCTD. It also makes allotment of general pool accommodations to the employees of GNCTD, and also keeps the record of recovery of licence fee from the allottees.

Records related to the activities of PWD during the period from 2005-06 to 2009-10 were test checked in the Office of the Principal Secretary (PWD & Housing) GNCTD and following observations emerged:

### **2.1.9.5 Non-maintenance of primary records**

The department had not maintained centralized records for government properties. In the absence of such records it could not be ascertained how many quarters/flats and other properties are owned by the GNCTD.

The department did not maintain any allotment register for keeping the record of allotment of general pool accommodations such as total number of flats, address of flats, names and designations of allottees, date of allotment, date of occupation, date of superannuation of the allottee and date of vacation of flat by the allottee. In the absence of such basic records the department itself cannot ascertain the total number of flats that are;

- under the occupation of bonafide allottees;
- under possession of illegal occupants; and
- lying vacant and reasons for such vacancy.

The department is also not in a position to identify which flat is allotted to whom and on what date a flat is due to be vacated.

Upon being pointed out in audit the department stated (February 2011) that there is no prescribed register wherein all the details of the allotment of all residential quarters were compiled but the details like name of the allottee, the due date of vacation (date of retirement) etc. were very much a part of allotment file. Each quarter had its own allotment file and all the correspondence regarding allotment and related issues thereafter were dealt in that file. However, in order to computerize the record and make the allotment more transparent and frequent, a software e-Awas was to be implemented through NIC in coordination with the Directorate of Estates, Government of India. However, the same could not be implemented in the scheduled time. The reply of the department is not acceptable as it is not in a position to review all the files at all times to watch the vacancy position or to identify the unauthorized occupants or other details of the occupants. Non-implementation of e-Awas is evidence of the fact that necessary details were not available in the files. The department itself accepted that e-Awas could not be implemented due to non-availability of data. It is therefore recommended that e-Awas be implemented urgently to bring about transparency and accountability in the functioning of the Estate Department.

#### **2.1.9.6 Non-implementation of e-Awas**

The Estate Department, Ministry of Urban Development, Union Government has computerized its system of allotment of government accommodation by implementing software called “e-Awas”. The PWD also placed an order with NIC in March 2007 to implement this system in the department at a cost of ₹ 8 lakh. The system was to be implemented within two months by NIC on the basis of input/ data to be provided by the department. Scrutiny of the system (April 2010) revealed that system was not functional as on February 2011 because relevant data was not available with the department. As against total number of 6913 flats (*Appendix-2.4*) the department had the details such as

name of allottee, date of allotment, due date of vacation, present status etc. in respect of 3000 flats only. It was also noticed that the department had not devised any system to update the information regarding government accommodation. In addition to the cost of software of ₹ 8 lakh, the department also incurred an expenditure of ₹ 4.37 lakh on hiring the manpower for running the system. Thus, despite an expenditure of ₹ 12.37 lakh, the system could not be put to use for want of data.

The department stated (February 2011) that efforts were being made to make the e-Awas fully functional.

#### **2.1.9.7 Illegal occupation of government flats due to systemic deficiency**

A report on illegal possession of government flats by retired Government employees was published in newspapers (July 2005). Taking cognizance of this report, office of the Lieutenant Governor of Delhi (LG), enquired from the department in November 2005. In response, the department confirmed in January 2006 to LG that some flats were under illegal occupation. The department intimated the Lieutenant Governor in June 2007 that action was being taken against the unauthorized occupants and some cases have been referred to ADMs concerned who were also designated as Estate Officers by the government to take action under Public Premises (Eviction of Unauthorized Occupations) Act, 1971 for getting these flats vacated. The department reviewed the position in November 2009 and January 2010 and found the performance of Estate Officers highly unsatisfactory. The exact number of flats under illegal occupation, as on date, was not known to the department. However, in August 2006 there were 417 flats under illegal occupation. This issue was investigated in audit and the following systemic deficiencies were noticed.

In order to get their retirement benefits settled, the employees occupying government accommodation are to submit to their departments 'No Dues Certificate' issued by PWD. The PWD as a practice issue provisional 'No Objection Certificate' to these employees with the condition that final 'No Due Certificate' would be issued after surrendering the government accommodation and producing the surrender slip issued by the concerned Junior Engineer, PWD. Audit noticed that there was no mechanism with the department to keep a track whether the employee getting the provisional 'No Objection Certificate' actually vacated the flat or not. In some cases the allottee got all the retirement benefits on production of provisional NOC, but did not vacate the flats. To address this problem the department in December 2005 decided not to issue Provisional NOC. It was, however, noticed that even after this the department continued to issue provisional NOCs. During the period 2005-06, and from 2007-08

to 2009-10<sup>6</sup> the department issued 1638 provisional NOCs and out of these it issued only 907 final NOCs indicating that there were 731 allottees who did not turn up to report the vacation of the flats to the PWD. Many of them continued to stay in the same government accommodation illegally after they ceased to be entitled for government accommodation. Further, the department did not have its own Eviction Cell to enforce timely vacation of government flats.

Thus, non existence of an effective mechanism to ensure and enforce timely vacation of flats resulted in large number of flats being in illegal possession. It also deprived the eligible employees of the facility of government accommodation and resulted in loss of licence fee as payment of HRA could also have been saved had the department allotted these flats to eligible and interested employees. This situation may also encourage other employees to stay in government accommodation illegally after retirement.

While confirming the facts, the department stated (February 2011) that to keep a track whether the allottee has actually vacated the flat or not after getting the 'Provisional Certificate/ Permission to Surrender' a separate register is being maintained.

#### **2.1.9.8 Non-revision of licence fee**

Licence fee to be recovered from the allottees of various types of government accommodation was revised with effect from 1 July 2004 and the next revision was due on 1 July 2007. The Union Government, Ministry of Urban Development revised the licence fee for central government accommodation in July 2007 but the GNCTD did not increase the licence fee. Thus, inaction on the part of the department deprived the government the amount of enhanced licence fee, though with passage of time the cost of maintenance of the flats has increased manifold.

The department stated (February 2011) that process for revision of licence fee had been initiated.

#### **2.1.9.9 Non-accountal of licence fee**

The licence fee is recovered from the allottee by concerned DDO who submits the monthly recovery schedule of licence fee, allottee-wise. Scrutiny of rent recovery registers revealed that the department has made no use of these schedules and no entry of recovery of licence fee in Licence Fee Register was made after May 2005. Audit further noticed that when an allottee contacts the department for obtaining the "No Due Certificate" regarding licence fee, the

<sup>6</sup> Records for the NOCs issued in 2006-07 was not available with the department



department asks the allottee to produce the details of recovery of licence fee from their DDOs. It proves that department had no records or a system to monitor the correct recovery of licence fee in place.

The department stated (February 2011) that due to shortage of staff record for recovery were not being maintained properly. The reply is not acceptable as recovery of licence fee can be recorded through e-Awas.

#### **2.1.9.10 Loss of ₹ 2.80 crore due to non-revision of rates for recovery of water charges**

The rates of water recoverable from the allottees of government flats at various localities where DJB water was being supplied were fixed in February 1991. These rates were effective from September 1990, while payment to DJB was being made at the rate revised by DJB from time to time. The rates for water charges so fixed by PWD varied from ₹ 9 to ₹ 20 per month depending upon type of the flats. The DJB increased the rates of water charges by 4155<sup>7</sup> per cent since September 1990 but the department did not revise the rates of water charges for recovery from the occupants. Consequently the gap between the amount actually recovered from the allottee and the amount paid by the department to DJB has been mounting. The PWD has been supplying DJB water to 3820 flats in 9 colonies. The Executive Engineers of respective PWD Divisions paid ₹ 3.06 crore to DJB for water supplied in these flats during the period April 2005 to March 2010, whereas total recovery from allottees was to the tune of ₹ 26.15 lakh only (considering that all the flats in these localities were occupied and water charges from all occupants have been duly recovered at prescribed rates). Thus, non-revision and rationalization of rates for water charges timely put an undue burden of ₹ 2.80 crore on the government.

The department stated (February 2011) that process for revision of water charges has been initiated.

#### **2.1.9.11 Undue burden of ₹ 1.03 crore due to non-fixation of rate for recovery of water charges**

Audit scrutiny revealed that the department did not fix rates for water charges in case of 1986 flats situated at four<sup>8</sup> locations. The respective divisions of PWD made a payment of ₹ 1.03 crore to DJB on account of water supplied in these flats during the period from April 2005 to March 2010, but no recovery on this account was made from the occupants of these flats as no rates for recovery were fixed. Thus, non fixation of water charges resulted in undue burden of ₹ 1.03 crore on the Government.

<sup>7</sup>Calculated for the consumption of 100 kilolitre per month

<sup>8</sup>Kalyanvas, Karkarduma, Model Town and Transit Hostel

The matter regarding non-revision and non-fixation of water charges was highlighted in the Report<sup>9</sup> of C&AG of India for the year 2005. The department had then intimated that the revision of water charges was under consideration but nothing was done in this direction.

The department stated (February 2011) that the process for revised rate of water charges has been initiated.

**2.1.9.12 Extra expenditure of ₹ 63.42 lakh, loss of licence fee of ₹ 10.73 lakh and avoidable payment of HRA of ₹ 1.49 crore due to non-allotment of 338 government flats at Dwarka**

The department constructed 338 flats for general pool accommodation in Dwarka, New Delhi. Civil work for the flats was completed by 31 January 2008. However, the department applied to the Chief Fire Officer for fire clearance in January 2009 after a lapse of one year. It was noticed that all the flats were lying unallotted as of July 2010. Audit examination revealed that the department constructed eight storey building having 180 type III flats with one staircase only in violation of para 16.3.4 of Delhi Building Byelaw, 1983 which stipulates that there should be two staircases in the building which is more than 15 metres in height. Consequently, the Chief Fire Officer did not issue the No Objection Certificate. Accordingly, the Executive Engineer BPO B-131 PWD submitted an estimate for ₹ 63.42 lakh in October 2009 for adding one more staircase in the building. Thus, non compliance of the Delhi Building Bye-laws by the PWD resulted in:

- additional expenditure of ₹ 63.42 lakh on the stair case; and
- loss of licence fee of approximately ₹ 10.73 lakh, which would have been recovered from the allottees, had the flats been allotted after completion. In addition, payment of ₹ 1.49 crore as HRA upto July 2010 could also have been avoided had the houses been allotted to the eligible employees. Besides, the eligible employees were deprived of the facility of government accommodation.

This serious lapse on the part of PWD engineers of not referring to the Delhi Building Bye-laws, 1983 while formulating the building plans needs to be investigated. This also indicates that there is no other mechanism in the Secretariat to watch the progress of PWD projects apart from the Engineering Wing.

The department stated (February 2011) that type-II quarters have been allotted in the month of October 2010, allotment of type-I quarters was under

<sup>9</sup> Para 10.3.10 of Report of the Comptroller & Auditor General of India for the year ended March 2004, GNCTD.

submission for approval and construction of second stairs in type-III quarters was in advance stage.

#### **2.1.9.13 Non allotment of Government Flats**

PWD& Housing (Estate Branch) has 4581 employees in the waiting list for allotment of government flats and 984 flats at 18 locations were lying unallotted as of May 2010. This attitude of the department in non-allotment of government flats resulted in loss of licence fee, payment of HRA to eligible employees, which could have been avoided had the department allotted these flats in time.

On being pointed out in audit (May 2010) the department stated (February 2011) that they have improved the position of allotment and it would improve further once the e-Awas is made fully functional.

#### **2.1.10 Commercial properties**

##### **2.1.10.1 Vacant shops**

The Department owns some commercial properties in addition to residential properties. No centralized records for these properties have been maintained by the Department. Audit revealed that the Department had 80 shops at four locations<sup>10</sup>. These shops were allotted on licence fee basis to private persons during the period 1977 to 1989. Scrutiny of records revealed that:

- 32 shops have been lying vacant/ non-functional since long but no efforts were made by the department to allot/ utilize these shops. This has resulted not only in loss of licence fee but also deprived many persons of employment opportunities. The department stated (February 2011) that out of these 32 shops, 18 had already been allotted to government departments as there was shortage of office space. The reply is not acceptable as these shops were allotted long back on temporary basis and as per record of the department, these shops were lying non-functional;
- Licencees of 13 shops have not been paying the licence fee for the last four to 304 months and an amount of ₹ 2.37 lakh was lying outstanding against these shops; and
- The department has not revised licence fee after fixation of licence fee at the time of allotment between the period 1977 and 1989. The licence fee of 26 shops was ₹ 500 per month or less and lowest monthly licence fee was ₹ 152.

<sup>10</sup> (1) Gulabi Bagh, (2) Kalyanvas, (3) Karkardooma and (4) Timarpur

The department stated (May 2010) that show cause notices were issued to the defaulters and revision of licence fee would be taken up with the Chief Engineer, PWD. This reflects the lack of seriousness of the department in management of its valuable properties.

#### 2.1.10.2 Non-disposal of 119 commercial properties

The PWD constructed 40 shops during the period from 1992 to 2001 alongwith the construction of 7 subways at different localities in NCTD. In 2001, DDA on request of PWD auctioned and gave the possession of 10 shops to private parties at lease rents of ₹ 2.04 lakh to ₹ 8.77 lakh. Later, DMRC demolished seven shops at Mall Road including one auctioned shop. Subsequently, PWD constructed 71 more shops and 22 offices in six subways and also three snack counters during 2002-2005 but none of these (including earlier constructed 24 shops) were disposed of. However, one shop was allotted as alternate arrangement to allottee of a demolished shop. As on date 93<sup>11</sup> shops, 22 offices and three snack counters (**Appendix-2.5**) were lying vacant/ unutilized. Audit scrutiny revealed that these premises could not be disposed of because PWD failed to finalize any policy during last 10 years for disposing of these shops inspite of intervention by LG and CM. As a result, 119 shops/offices/snack counters at different localities were lying vacant/ unused and allowed to deteriorate for 5 years to 18 years. Had the PWD disposed them of timely, considerable revenue could have been realized by way of sale proceeds/ lease rent/ licence fee.

The department stated (February 2011) that due to non existence of a policy, shops could not be disposed of. Non-finalization of a policy for disposal of the shops even after 18 years of their construction is another evidence of apathy of the department towards government properties.

#### 2.1.10.3 Plots for Petrol Pumps

- Department allotted plots in NCT of Delhi for 10 petrol pumps on ground rent basis sometime in sixties. The ground rent was last revised w.e.f. 1 January 1986. However, it was noticed that the allottees had not paid ground rent for years and a sum of ₹ 1.48 crore was lying outstanding against them as of March 2010. The department stated (May 2010) that six allottees were paying the licence fee to DDA. However, reasons for not paying the ground rent to the GNCTD for the land allotted by L&BD was neither explained to audit by the department nor was found in records relating to these petrol pumps.

<sup>11</sup> location of one shop was not known to the department

- The ground rent, revised first time in January 1986, has not been revised thereafter. Though all these petrol pumps are situated at prime locations and function on commercial lines, the allottees were paying ground rents as low as ₹ 2,388 to ₹ 11,238 per month which should have been revised keeping in view the fact that the occupants are using these plots for commercial purpose.

The department stated (February 2011) that a meeting was convened on 21 August 2008 in which the representative of DDA informed that DDA was receiving ground rent from IOC in respect of seven petrol pumps sites since 1996 and further stated that the land in question belongs to DDA, but no authentic proof to this effect was furnished by him. The IOC representative claimed that IOC was paying ground rent to DDA but did not have the relevant document/ lease deed etc. In the absence of ownership document of the site in question, no decision could be taken. DDA was requested to provide copy of ownership documents of the site as they have been collecting lease/ licence from IOC. The department assured that efforts would be made to settle the issue of ownership and revision of ground rent.

#### **2.1.10.4 Non-recovery of licence fee of ₹ 17.34 lakh from Super Bazar**

Six shops at three<sup>2</sup> locations in NCT of Delhi were in possession of Cooperative Store Limited (Super Bazar), which was wound up on 5 July 2002, and a liquidator was appointed. The department had taken the possession of shops on 25 September 2003, 16 October 2004 and 6 July 2004 respectively. At the time of vacating the shops a sum of ₹ 17,34,303 was outstanding as licence fee against Super Bazar. The department requested the Liquidator in March 2005 to pay the dues. Thereafter the department had made no effort to recover the dues. Thus, failure of the department to take effective steps to recover the dues resulted in non-recovery of licence fee of ₹17.34 lakh from Super Bazar.

The department stated (February 2011) that the matter has been referred to Estate Officer and a reminder issued to the Liquidator.

#### **2.1.10.5 Government Employees compelled to live in dangerous buildings**

1163 flats in Kalyanvas were declared dangerous by PWD in September 2002. It was noticed that 360 flats were still occupied (May 2010) by allottees, as department had not made alternative arrangements for the occupants of these flats. In the absence of effective steps by the department, to relocate the occupants of these flats the occupants have been compelled to stay in a dangerous buildings.

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<sup>12</sup> Gulabi Bagh, Kalyanvas and Timarpur

On being pointed out in audit the department stated (February 2011) that 1060 allottees had been shifted to alternative accommodation and only 103 allottees were still staying in dangerous flats.

#### *2.1.11 Conclusion*

Both the departments did not have robust internal controls to inspire confidence. Record management and system for reporting of the actual performance to the management was either not in place or was not adequate. Absence of an effective management information system and improper monitoring led to inadequate management of Evacuee Properties, improper management of Residential and Commercial properties of Government and illegal occupation of government flats. Non-revision of water charges/licence fee of residential/ commercial properties, non-disposal/ non-allotment of commercial properties, non-recovery of housing loan and improper inventory management depicts a less than professional approach of the Departments towards financial and asset management. Non-functional NCR Planning and Monitoring Cell and delay in land acquisition for development projects were also cause for concern.

#### *2.1.12 Recommendations*

##### *2.1.12.1 Land & Building Department*

- Details of evacuee properties should be computerized and an effective system for proper management of evacuee properties be evolved. Legal hurdles in disposing of the evacuee properties after enactment of Repeal Act should be brought to the notice of MHA alongwith details of such properties to find out the legal way to deal with the situation.
- As the owners have already been compensated for acquisition of their land, allotment of alternate plots in an arbitrary manner is not desirable and needs to be dispensed with. A more transparent system of suitable and adequate compensation may be evolved for the purpose.
- Department should strengthen the internal control mechanisms and ensure proper coordination with LACs to deal with legal cases in different Courts.

***2.1.12.2 PWD & Housing***

- E-Awas should be implemented immediately to enable proper maintenance of records of government properties and to ensure timely vacation of government flats and their allotment to eligible employees.
- Licence fee and water charges should be rationalized keeping in view the actual expenditure. Individual water meters should be installed for ensuring better water management and collection of water charges.

## Chapter 3

### Audit of Transactions

Audit of transactions of Government Departments, their field formations as well as that of autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

#### 3.1 Non-compliance with rules and regulations

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriations and frauds, but helps in maintaining good financial discipline. Some of the audit findings on non-compliance with rules and regulations are hereunder:

#### Public Works Department

##### 3.1.1 Undue payment of ₹ 1.05 crore to the consultant.

#### **Unauthorized amendment in the terms and conditions of payment resulted in undue payment of ₹ 1.05 crore to the consultant.**

The rates of fees payable to the consultants were fixed as 3 *per cent* for non-repetitive works and 0.5 *per cent* for repetitive works by the Public Works Department (PWD). In August 2000 the Council of Ministers, Government of National Capital Territory of Delhi decided that fees payable to Consultant should be on lump sum basis instead of percentage basis. Further, the fee would not increase if there was an increase in the cost of the project.

M/s. Kapoor & Associates Consultants (Pvt.) Ltd. were appointed as Consultant for the 100 bedded hospital in Vansat Kunj by the Empowered Committee in 2001. Subsequently, a committee constituted for hospital projects reviewed the project and decided (August 2002) to construct a super specialty Institute of Liver and Biliary Sciences (ILBS) in lieu of 100 bedded hospital at the same place. As the consultant had already done some work for 100 bedded hospital, the consultant was asked to continue with the same plan by using the envelope of 100 bedded hospital.

The Executive Engineer, PWD Circle 27 conveyed (April 2004) the approval of the competent authority to appoint M/s. Kapoor & Associates Consultant



(Pvt.) Ltd. as consultant for construction of the ILBS. The consultancy charges were subject to an upper ceiling of ₹ 1.29 crore.

Audit scrutiny of the records of the Project Manager, Building Project Zone B-2 revealed that the conditions of upper ceiling of ₹ 1.29 crore was not included in the formal agreement signed with the Consultant (November 2004) and clause 4 (a) was inserted in the agreement which made the consultants entitled for 3 per cent of the actual cost of the construction as consultancy charges.

Audit observed that there was no mention of payment of consultancy charges on percentage basis in the appointment letter issued by the Executive Engineer to the Consultant (April 2004) and in the letter conveying the expenditure sanction of the Government to PWD (March 2004). Besides, the consultants had themselves offered (September 2003) a maximum ceiling on of ₹ 1.29 crore. Further, as against the upper ceiling of ₹ 1.29 crore fixed by the Competent Authority, PWD had already paid ₹ 2.34 crore to the consultant upto 13<sup>th</sup> running bill (March 2010).

Thus, the unauthorized amendment in the terms and conditions once approved by the competent authority for payment of consultancy charges resulted in undue payment of ₹ 1.05 crore to the consultants.

The matter was referred to the Government (June 2010). The Department stated (February 2011) that a careful study of the sanction of the Government for consultancy fee would reveal that this order did not mention the sanction amount as lump sum amount as interpreted by audit. Further, due to addition and alteration in the scope of work the Expenditure Finance Committee (EFC) in its 11th meeting (March 2005) approved the revised layout for Hospital restricting the consultancy charges to ₹ 1.29 crore. The consultant was aggrieved by decision of EFC and sought arbitration in February 2006. The EFC in its 13<sup>th</sup> meeting (January 2007) lifted the ceiling imposed by it in its 11<sup>th</sup> meeting. It was also stated that the agreement provisions with regard to fee for consultation with a ceiling of ₹ 1.29 crore had to be read with clause 4 (a).

The reply is not acceptable as the work was awarded with an upper ceiling of ₹ 1.29 crore which was also accepted by the consultant in September 2003 and in that case the clause 4(a) of the agreement should have been framed accordingly. The Department's contention regarding revision of ceiling of consultancy fee by the EFC is also not tenable as the upper limit of consultancy charges was the condition for appointment conveyed to the consultant in the appointment letter (April 2004). Moreover, the minutes of the 13th meeting of the EFC shows that the change in the terms and conditions for the payment to the consultant was not considered in the said meeting. Further, if the scope of the work was enlarged there ought to have been a separate agreement to justify the additional

payments. If that was not done, any payment in excess of the ceiling mentioned in the award letter constituted undue payment to the consultant.

### 3.1.2 Overpayment of ₹ 30.25 lakh to the consultant

**Failure on the part of divisional authorities to verify the admissible amounts before making payments to consultant, resulted in overpayment of ₹ 30.25 lakh.**

The Executive Engineer PWD Division XVI entered (June 1994) into an agreement with M/s C.P. Sabharwal and Associates (consultant) to provide consultancy for construction of staff quarters at Shalimar Bagh, Delhi on a plot measuring 13.9 acres. The fee in respect of non-repetitive works to consultant was payable @ 3 per cent of actual cost of construction subject to a ceiling of cost of corresponding items as per approved Preliminary Estimates/Revised Preliminary Estimates. For repetitive works requiring no additional design and developmental work on the part of the consultant except to release additional drawings, with revised titles and periodic supervision, a fee of 0.5 per cent was payable. As per clause 5(a) of the agreement the cost of development charges on land, cost of path way, landscaping and other development work was to be excluded from the cost of construction for the purpose of working out of consultancy fees.

As 4.55 acres of land, out of total plot area of 13.9 acres, was encroached upon by Jhuggis, phase-I was to be constructed on available plot for which the administrative approval and expenditure sanction of ₹ 54.73 crore was accorded in April 2004. This phase included construction of 299 (143 type-III and 156 type-IV) staff quarters. The work of construction was awarded (February 2007) to lowest tenderer at the tendered cost of ₹ 47.81 crore and work was scheduled to be completed in November 2008. However, the work was not completed as of January 2011.

Audit examination revealed that a sum of ₹ 96.34 lakh had been paid to consultant as consultancy fee as of January 2011 (upto ninth Running Bill paid in March 2009), which included ₹ 73.57 lakh for phase-I, ₹ 15.04 lakh for phase-II and ₹ 7.73 lakh for electrical work. It was observed that the consultancy fee was calculated on actual cost of the project including the cost of development work also, whereas the consultancy fee was to be paid on actual cost subject to a ceiling of the estimated cost, which worked out to ₹ 46.68 lakh for phase-I. Thus, the Department had made an overpayment of ₹ 30.25 lakh (including service tax of ₹ 3.36 lakh) to the Consultant.

The Department stated (November 2009) that preliminary estimate approved in April 2004 for ₹ 54.73 crore (including ₹ 36.17 crore for civil works) were based on Plinth Area Rate (PAR) 1992 plus cost index 97. However, the work was awarded in February 2007 for ₹ 47.81 crore. At that time the cost index had increased to 254 against 97 at the time of preparation of preliminary estimate. Accordingly, cost of proportionate civil work at the time of award, worked out to ₹ 94.71 crore. Further, the work was still in progress and actual cost of construction could not be determined at this stage. The revised estimate for obtaining the revised AA&ES was under preparation.

The reply is not acceptable as consultant was eligible only for payment @ 3 per cent of actual cost of construction subject to ceiling of cost of corresponding items as per approved Preliminary Estimates /Revised Preliminary Estimates excluding cost of development work as per agreement. As per this condition the fee payable to consultant works out to ₹ 46.68 lakh as against ₹ 73.57 lakh paid by the Department. The contention of Department regarding Revised Preliminary Estimates is also not tenable as the Department had already made excess payment and revised estimate was yet to be approved.

Thus, failure on the part of Department to verify the admissible amount to consultant resulted in an overpayment of ₹ 30.25 lakh.

### **3.1.3 Avoidable expenditure of ₹ 1.48 crore and overpayment of ₹ 40 lakh**

**Adoption of a price variation clause in its work contracts by PWD, which was not in line with general conditions of contract, resulted in avoidable expenditure of ₹ 1.48 crore in five works. Besides incorrect implementation of this clause resulted in overpayment of ₹ 40 lakh out of which ₹ 39.97 lakh has been recovered at the instance of audit.**

Rule 204 (ii) of GFR stipulates that standard forms of contracts should be adopted wherever possible, with such modifications as are considered necessary in respect of individual contracts. The modifications should be carried out only after obtaining financial and legal advice.

Payments on account of price variations of labour, materials and Petroleum, Oil and Lubricants (POL) to be used in work are made to the contractors under clause 10CC of General Conditions of Contract. But this clause is not applicable for works where stipulated period of completion is 18 months or less. A new clause 10CA was introduced in September 2004 for escalation in such cases, which was applicable for escalation in respect of reinforcement steel bars and/ or cement only whereas clause 10C was applicable for other components (labour etc., the price of which vary due to statutory orders).

Audit conducted a test check of contracts relating to following five works awarded by B-131 and F-132 divisions of PWD:

Sl. No	Name of Work	Name of Div	Date of Award	Name of Contractor	Estimated Cost	Tendered Cost	Stipulated date of start	Stipulated date of Completion	Actual Date of Completion
					₹ In Crore				
1.	Construction of Integrated Complex for Delhi Judicial Academy, National law School and National Institute for Mediation and Conciliation at Sector -14, Dwarka SH: Institutional Complex	B131	12 March 2007	M/s JMC (India) Ltd	23.29	38.67	27 March 2007	26 March 2008	June 2009
2.	Construction of Integrated Complex for Delhi Judicial Academy, National law School and National Institute for Mediation and Conciliation at Sector -14, Dwarka SH: Residential Complex, chairman's residence	B131	September 2007	M/s Parnika Commercial and Estates (Pvt.) Ltd	14.84	24.52	25 September 2007	24 December 2008	In progress
3.	Construction of Integrated Complex for Delhi Judicial Academy, National law School and National Institute for Mediation and Conciliation at Sector -14, Dwarka SH: Boy's and Girls Hostel	B131	September 2007	M/s Parnika Commercial and Estates (Pvt.) Ltd	12.42	20.68	25 September 2007	24 December 2008	In progress
4.	Construction of Grade Separator at Ring Road, G.T. Karnal Road Intersection at Azadpur, Delhi. SH: C/o Main Flyover i.e. Underpass, Pedestrian sub-way, Service Road, Drainage, Electrical, Landscaping and Allied Work	F132	April 2007	M/s. Navayuga Engineering Co. Ltd.	56.87	87.37	12 May 2007	11 November 2008	In progress
5.	Construction of Grade Separator at Mangol Puri crossing on outer Ring Road, New Delhi. SH: C/o Main Flyover at level service roads, drainage, electrical and allied works, extension of existing pedestrian subway	F132	February 2007	M/s. Valecha Engineering Ltd.	18.94	29.46	14 March 2007	13 June 2008	In progress

Audit observed that though the standard clauses 10CC and 10CA were available to compensate the contractor for variation in prices yet these clauses were not incorporated in the NIT/ agreements of above works. Instead a new clause 10CCA was adopted which was not in line with general conditions of contract issued by the Central Public Works Department (CPWD) and its manual provisions. In this clause, the components of material and labour were taken as labour 22 *per cent*, steel 25 *per cent*, cement 15 *per cent*, fuel 5 *per cent* and machinery and machine tools 18 *per cent* and payment/recovery on account of price variation was to be made bill wise. The clause was inserted without taking any legal or financial advice as required under 204(ii) of GFR.

Due to inclusion of 10CCA clause in the agreement the department had to pay ₹ 10.38 crore to the contractors in the shape of price variation. Audit observed that this amount included ₹ 1.27 crore on account of machinery component which was not payable under any provision of CPWD manual. Further, in building works, fuel component is very low and as per CPWD manual, no price variation is payable on fuel in building works. Audit, however, noticed that an amount of ₹ 21 lakh was paid on account of escalation of fuel in building works at serial. No. 1 to 3 above. Thus, out of a total of ₹ 10.38 crore paid to the contractors in the shape of price variation an amount of ₹ 1.48 crore (₹ 1.27 crore + ₹ 0.21 crore) was avoidable.

Further, in case of works at serial No. 1 to 3 the department made an overpayment of ₹ 40.33 lakh due to wrong interpretation of price variation clause in agreements. The price variation was to be paid for each bill in accordance with the period covering the dates of measurement whereas the department paid the price variation as per the dates of payment of each bill which resulted in shifting of period for each payment and, therefore, the contractors were overpaid an amount of ₹ 40.33 lakh. Upon being pointed out in audit, Department has recovered (December 2010) an amount of ₹ 39.97 lakh from the contractors.

The matter was referred to the Department in July 2010. The Department stated (August 2010) that the PWD had taken up large infrastructure works of flyovers/grade separators/underpasses of high magnitude in Delhi. Considering these aspects the Department looked for price variation clauses adopted for tenders in other organizations, which carry out such large infrastructure works like Delhi Metro Rail Corporation (DMRC) etc. Therefore, price variation clause adopted in DMRC was considered and found more suitable for infrastructure works of PWD and the same was adopted.

The reply was not acceptable on the following grounds:

- Works at Sl. No. 1 to 3 relate to construction of buildings only for which standard price variation clauses were available. Moreover, clause

32.10.1 of CPWD Manual clearly indicates that standard clause 10 CC and 10 CA are applicable for both flyovers and buildings works.

- Payment of price escalation on the machinery and machine tools was not justifiable as these were capital goods, which are one time purchase and deployed at sites as required.
- Adoption of DMRC's price variation clause without following the due procedure was not justified as situation of CPWD is different and its General Conditions of Contract have well formulated clauses 10 C, 10 CA and 10CC for this purpose.

Thus, unjustified adoption of a new price variation clause by PWD in above works resulted in extra expenditure of ₹ 1.48 crore.

#### 3.1.4 Wasteful Expenditure of ₹ 74.64 lakh

**Failure of the PWD to adhere to manual provisions of getting the expenditure sanction and ensuring proper land-use resulted in wasteful expenditure of ₹ 74.64 lakh.**

Rule 129 of GFR and Para 2.1 of CPWD Works Manual provide that no work shall be commenced or liability incurred in connection with it, until administrative approval has been obtained from the appropriate authority, expenditure sanction accorded and allotment of funds made. Para 4.1.2 (*Appendix-4*) of CPWD Works Manual further prescribes that the prescribed proforma should be filled by the administrative department certifying the availability of land and ensuring proper land-use.

Scrutiny of records of Project Manager B-13 revealed (April 2008 to March 2009) that a work of architectural consultancy for the construction of Police Training College (PTC) at Jharoda Kalan, New Delhi was awarded (October 1997) to M/s AG Krishna Menon (consultant). As per terms and conditions of the agreement, 20 per cent of the payment was to be made to the Consultant on approval of preliminary drawings from the employer and Delhi Urban Arts Commission (DUAC) at conceptual stage and on approval of preliminary estimates.

The preliminary designs of the PTC complex were approved by the Delhi Police in September 1998. The DUAC conveyed approval of layout plan and design in May 1999. The PWD, accordingly, sent (September 1999) an estimate of ₹ 37.95 lakh to Delhi Police for payment of consultancy charges. As consultancy fee was not paid by August 2002, the PWD again sent the estimates to Delhi Police for payment of consultancy fee. The Delhi Police informed (January 2004)

the Government of NCT of Delhi that Administrative Approval and Expenditure Sanction ((A/A & E/S) for payment of consultancy fee could not be accorded as the land use had not been changed from the existing agricultural to institutional status. Accordingly, consultancy fee could not be paid to the consultant.

The consultant invoked (March 2006) the relevant clause of agreement for appointment of an arbitrator to adjudicate the dispute. The Arbitrator awarded (April 2007) ₹ 32.88 lakh in favour of Consultant as his payable fee and a further amount of ₹ 12.22 lakh as loss of profit along with simple interest @ 8 per cent till date of payment. The award was challenged (August 2007) by the PWD in the High Court of Delhi, which dismissed the case in December 2007. Accordingly, Department paid ₹ 74.64 lakh to consultant in July 2008 (including ₹ 32.88 lakh as payable fee, ₹ 12.22 lakh as loss of profit, ₹ 29.33 lakh as interest and ₹ 0.20 lakh as cost of arbitration fee) after a delay of more than six months from the date of court decision.

Thus, failure of the PWD to adhere to manual and GFR provisions in appointment of the consultant and incurring liability on works without even ensuring proper land-use and getting the expenditure sanction from the client department resulted in wasteful expenditure of ₹ 74.64 lakh.

The matter was referred to the Department in September 2009. The Department stated (November 2009) that contract with the consultant was entered into with full knowledge of client department and in anticipation of expenditure sanction by Police Department. It further stated that payment could not be made to the consultant earlier due to non-issue of A/A & E/S by the client department. The reply is not tenable as Department incurred the liability for consultancy work before getting A/A & E/S and without ensuring proper land use.

### **3.2 Audit against propriety/expenditure without justification**

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure.

Public Works Department

3.2.1 Irregular award of work resulting into excess expenditure of ₹ 1.27 crore

**The PWD awarded the work to a contractor over and above 10 per cent of justified cost in violation of provisions of CPWD manual resulting in undue benefit of ₹ 1.27 crore to the contractor.**

Section 18 of CPWD Works Manual (2003) casts responsibility upon tender accepting authority to satisfy itself about the reasonableness of rates before acceptance of tender. Reasonableness of rates shall primarily be assessed on the basis of justified rates, which are based on market rates of labour, material, cartage etc. The major items on the whole costing at least 90 per cent of the estimated cost put to tender are analyzed to work out the justified cost. Further section 18.12.1 *ibid* stipulates that variations up to plus 10 per cent might be allowed, but in no case rate higher than 10 per cent should be accepted.

The Executive Engineer B-131 (erstwhile YBP-III) Division, PWD awarded (12 March 2007) the work of “construction of Integrated Complex for Delhi Judicial Academy, National law School and National Institute for Mediation and Conciliation at Sector-14, Dwarka SH: Institutional Complex” to M/s JMC at their tendered cost of ₹ 38.67 crore (estimated cost ₹ 23.29 crore) with stipulated date of completion being 26 March 2008. The work was actually completed in June 2009, i.e., after a delay of about 15 months. The contractor had been paid ₹ 41.35 crore (February 2011) for work done and ₹ 2.91 crore on account of price variation (up to 17<sup>th</sup> RA bill).

Test check of the justification statement prepared by the division/project office revealed that justified amount was actually 44.31 per cent higher than estimated cost and the tendered cost was more than ten per cent higher than justified cost. As the rates were higher, the tender was proposed for reconsideration. However, the Chief Engineer added 0.2 per cent on account of additional facilities to be provided by the contractor (viz. vehicle, mobile, computer operator, clerk, security guard, etc.), one per cent for mandatory labour cess and a further five per cent of justified amount considering that the agency had to complete the work in a reduced period of 12 months and hence it will not be able to earn bonus (maximum five per cent of the tendered cost as per clause 2A of the tender) which it could have earned had required 32 months been given to it and it could complete the work at least five months prior to the scheduled date.



Audit observed that this addition of five *per cent* was not correct as clause 2A was still applicable to the contract and accordingly the contractor was eligible for bonus in case work was completed before scheduled date. Bonus, in any case, is an incentive for timely completion and in no way can be added as cost to justify award of work at unduly high rates. The contractor had, in fact, completed the work with 15 months delay. Thus, the contention of the Department of non-earning of bonus by the contractor was based on wrong notion.

The award of work to M/s JMC at rates in excess of ten *per cent* over justified cost was irregular as shown below:

(₹ in crore)

Estimated cost (EC)	23.29
Justified cost (calculated from the percentage over EC)	33.99 45.95% above EC (after incorporating amounts for Labour Cess, vehicle, mobile, computer operator, clerk, security guard, etc.)
10 % over Justified cost	37.39
Tendered cost (final negotiated amount)	38.66
Difference	1.27

Thus award of work over and above 10 *per cent* of justified cost resulted in undue benefit of ₹ 1.27 crore to the contractor.

The matter was referred to the Department in September 2009. The Department stated (October 2010) that had the full period of 32 months been allowed to contractor, he would have been able to earn bonus in case of early completion and thus adding of five *per cent* in justified cost on this account was correct. The reply of the Department is not acceptable on account of two reasons. Firstly, the competent authority approved 22 months as the original scheduled period while approving the pre-qualifying criteria. Secondly, the Director (Planning and Infrastructure) specifically recommended that in case agency did not complete the work within stipulated time (12 months) the only remedy available to the Departments was to levy penalty under clause 2, and also recommended that negotiations be held with the tenderer to bind him that in case the work was not completed within stipulated time, additional five per cent of tendered cost would be recovered in addition to the penalty levied under clause 2. However, the Department did not modify the penalty clause. The contractor actually completed the work in 27 months. This was also not fair to other bidders who could have also bid had they been aware of increase of stipulated time to 27 months.

Thus, non-adherence to the codal provisions resulted in undue benefit of ₹ 1.27 crore to the contractor.

Department of Health and Family Welfare

*3.2.2 Excess purchase of surgical instruments costing ₹ 75.00 lakh, stents for cancer patients amounting to ₹ 14.88 lakh and unfruitful expenditure of ₹ 57.23 lakh in Lok Nayak Hospital.*

**The Lok Nayak Hospital purchased surgical instruments at a cost of ₹ 1.22 crore in March 2001. After a lapse of nine years, 28 to 84 per cent surgical instruments costing ₹ 75.00 lakh were lying unused. Besides excess purchase of stents by the Hospital resulted in wasteful expenditure of ₹ 14.88 lakh. Four Modular Operation Theatres costing ₹ 57.23 lakh could not be installed in the hospital even after lapse of two years of their receipt.**

**(i) Excess Purchase of surgical instruments costing ₹ 75.00 lakh**

As per Rule 137(i) of General Financial Rules, the quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organisations. The specifications so worked out should meet the basic needs of the organisation without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory costs.

Scrutiny of records revealed (January 2010) that the hospital had purchased 27,500 non-consumable surgical instruments costing ₹ 1.22 crore during the month of March 2001 for different departments. Audit observed that 28 to 84 per cent instruments costing ₹ 75.00 lakh, were lying unutilized even after a period of nine years. Thus, injudicious purchase of surgical instruments, resulted in blockade of funds of ₹ 75.00 lakh for a period of nine years.

The matter was referred to the Department (March 2010). The Department replied (June 2010) that these instruments do not undergo any wear and tear when kept idle and stay new for several decades. Therefore, these instruments will fulfill the requirement of the Hospital for a long time. Further, the cost of these instruments has now become more than double or thrice the original value and there will not be any need for a long time to spend excessive money on these items.

The reply is not acceptable as the budget was provided to meet the requirement of the hospital during the year. As technology is changing fast, these instruments can become obsolete or outdated in a short time. Besides it was in contravention of the provisions of GFR 21(ii), which stipulate that expenditure should not be prima-facie more than the occasion demands.

Thus, injudicious procurement resulted in blockade of Government funds to the extent of ₹ 75.00 lakh for more than nine years. Had the hospital assessed its requirement realistically, these instruments would not have been lying idle and funds could have been made available to other deserving areas. The hospital needs to streamline its inventory system to avoid such blockade of Government money.

**(ii) Wasteful expenditure of ₹ 14.88 lakh on purchase of stents for cancer patients**

Stents are used in cancer patients to relieve obstructions due to (i) direct blockages within the tube (or lumen) due to cancer growth, (ii) narrowing of the lumen from tumor growth outside pressing on the tube and narrowing the lumen, and (iii) occasionally from the build up of scar tissue (fibrosis) from radiation therapy. Stenting is a procedure in which cylindrical structure (stent) is placed into a hollow tubular organ to provide artificial support and maintain the potency of the opening. Although it is most often used for cardiovascular functioning, it is also utilized to manage obstruction in cancer patients.

Audit scrutiny revealed that Lok Nayak Hospital purchased 80 Covered/Uncovered Biliary Wall Stents and Esophageal Stents for an amount of ₹ 20.55 lakh from M/s Batra Enterprises in June 2004. As per delivery challan, the expiry date of these stents was in 2007. However, audit observed that out of 80 stents, only 22 stents could be used for the patients within the expiry period and 58 stents amounting to ₹ 14.88 lakh could not be used within this period. These expired stents were lying in the store of Endoscopy Department.

The matter was referred to the Hospital in March 2010, which stated (June 2010) that Esophageal Stents are made of material that can last the life-time of a patient. The indicated expiry date refers to the sterilisation process, which in these stents lasts for three years as shown in the print of the label. Further, Lok Nayak Hospital has the same sterilisation process (Ethylene Oxide) machine available and can sterilise these items for three years at a time without any harm to the device or the patients.

The reply is not acceptable, as the hospital should have assessed the requirement before purchasing these stents and ensured their utilization within the prescribed normal life of the stents.

**(iii) Unfruitful expenditure of ₹ 57.23 lakh due to non-installation of Modular Operation Theatres**

Scrutiny of records revealed that the Hospital purchased nine Modular Operation Theatres (OTs) at a cost of ₹ 1.82 crore in March 2007 through Equipment Procurement Cell of Delhi Government. Four of these Modular operation theatres, i.e., OT 1 & 2 at ground and OT 1 & 2 at second floor for Casualty were received in the Hospital in March 2008 and a payment of ₹ 57.23 lakh being

the 80 per cent of cost was made (March 2009) to the supplier as per terms and conditions of purchase order. The equipments could not be installed even after two years of their receipt in Casualty on ground floor and second floor resulting in idle investment and affecting patient care services for which the equipments were procured.

The matter was referred to the Department (March 2010). The Department stated (June 2010) that the construction of OT 1 and OT 2 on the ground floor was delayed because the area is such that suspension/relocation of casualty services would have been necessary for several months. The construction of OT 1 and OT 2 on second floor of the Accident and Emergency Block was delayed due to certain structural issues as the building where these modular OTs were to be installed was already constructed before the order for purchased of modular OTs was placed. Further, two modular OTs have been made functional w.e.f. October 2010. However, the Department did not furnish completion/installation certificate in support of its statement.

The reply of the Department is not acceptable, as purchase of modular OTs should have been synchronized with the availability of space, infrastructure and operating staff to achieve optimum benefits.

### 3.3 Failure of Oversight/Governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfillment of certain goals in the area of health, education, development and upgradation of infrastructure and public service. However, Audit noticed instances where the funds released by Government for creating public assets for the benefit of the community remained unutilized/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed as follows.

#### Public Works Department

##### 3.3.1 Wasteful expenditure/loss of ₹ 25.62 lakh besides blockade of ₹ 14.20 crore

**Due to inadequate planning a project to construct a hospital at Dwarka, conceived fourteen years ago, could not materialise even after incurring an expenditure of ₹ 14.20 crore and wasteful expenditure of ₹ 25.62 lakh.**

The Department of Health decided (December 1996) to construct a 500 bedded hospital at Dwarka through PWD. The land for the purpose was allotted (March 1997) by the Delhi Development Authority (DDA) at a cost of ₹ 3.90 crore. Subsequently, the PWD appointed (December 1997) M/s Jasbir Sawhney as

consultant for the project. The preliminary drawings were approved by Directorate of Health Services (DHS) in July 2000 and approval of Delhi Urban Art Commission (DUAC) was received in March 2001. The approval of Expenditure Finance Committee (EFC) and cabinet were received in August 2004 and November 2004 respectively. The administrative approval and expenditure sanction amounting to ₹ 124.07 crore was conveyed in December 2004. In June 2005 the Chief Engineer, PWD-I intimated the change of Floor Area Ratio (FAR) from 150 *per cent* to 200 *per cent* of plot area and consequently, the Health Department decided in June 2007 to increase the bed capacity of hospital from 500 to 750 beds and to include provision of a medical college in the hospital. It was also decided to install Base Isolation System in the foundation of building to make the building earthquake resistant.

The revised Preliminary Estimate (PE) amounting to ₹ 349.80 crore for construction of 750 bedded hospital (hospital) was approved by the Health Department in November 2007. The tenders for skeletal work for construction of hospital at Dwarka were floated in July 2007. The same were however not approved due to poor response. The tenders for hospital were called again in January 2008 and May 2008 but were not accepted pending approval of revised plans from local bodies. The work for construction of the hospital has not been awarded so far (January 2011). As of January 2011, ₹ 1.54 crore had been paid to the consultant.

In the mean time, the work of providing base isolation system and its proof checking was awarded to M/s Dynamic Isolation System (Manufacturer) in May 2008 at a total cost of ₹ 8.90 crore. The PWD started receiving bearings (base isolators) from January 2009 and as of January 2011, 530 base isolators had been received and a payment of ₹ 12.66 crore including import duty of ₹ 2.97 crore had been made.

As the work for skeletal work was yet to be awarded, the bearings were required to be kept in safe custody by PWD. Therefore, a store was got constructed in March 2009 at a cost of ₹ 3.83 lakh. The Department incurred an expenditure of ₹ 4.57 lakh on watch and ward for the safety and security of the bearings for the period from 1 April 2009 to 24 January 2011. Meanwhile, on 16 June 2009 a theft took place at the store and 20 Bearings costing ₹ 15.82 lakh (including custom duty) were stolen from the store. At the instance of audit an amount of ₹ 2.05 lakh was recovered from the agency (June 2010) on account of stolen goods. The bearings were subsequently insured (June 2009 and June 2010) at a total cost of ₹ 3.45 lakh. Thus, non finalisation of tender for skeletal work resulted in wasteful expenditure of ₹ 25.62 lakh on security and safety of bearings.

In April 2009 the Principal Secretary (Health) directed the Chief Engineer, PWD not to invite any tender due to change in fiscal scenario of Delhi Government, as such proposals may be taken up under Public Private Partnership (PPP) mode. Thus, the project to construct hospital at Dwarka, conceived fourteen years ago, could not be given final shape till date (January 2011) even after incurring an expenditure of ₹ 14.46<sup>1</sup> crore and the Government was still not clear whether the project would be implemented through PWD or PPP.

The matter was referred to Department in September 2009, which replied (December 2009) that the expenditure has been incurred with correct motive and good intention but could not result in fruitful exercise as the competent authority later on decided to reject the tender pending clearance from the local bodies. The expenditure incurred so far would be useful whether the project is executed by the PWD or under PPP mode. The reply is not acceptable as it is reflective of inadequate planning on the part of the State Government. Besides due to lack of coordination between Health department and PWD of Delhi Government there has been a long delay in the execution of the project and clarity on the mode of the execution was still wanting. Further, the PWD should not have undertaken any liability till the revised plans were approved by the local bodies. The revised plans were not approved as of February 2011.

Thus, inadequate planning of the Delhi Government not only resulted in blockade of ₹ 14.20 crore and an avoidable expenditure of ₹ 25.62 lakh but also depicted lackadaisical attitude of the Government towards providing health facilities to the residents of Dwarka.

### 3.3.2 Extra expenditure of ₹ 5.42 crore and delay in completion of a hospital building due to illegal rescission of contract

**Due to unlawful rescission of the contract of M/s. United Builders by the Department, the balance work has been executed at much higher rates resulting in extra cost of ₹ 5.42 crore.**

The Executive Engineer, Delhi College of Engineering Project, PWD, Government of NCT of Delhi, awarded the work for construction of Orthopedic Block at LNJP Hospital in July 2000 to M/s United Builders (Agency-I) at the tendered amount of ₹ 14.41 crore with stipulated date of completion being 30<sup>th</sup> July 2002. As the progress of work was very slow, the Department held M/s. United Builders responsible for slow progress and served notice under Clause 3 of the Agreement in October 2002 and rescinded the contract at the risk and cost of the Agency-I. The agency approached the Chief Engineer Zone-II, PWD for appointment of an Arbitrator to adjudicate various claims.

<sup>1</sup>Cost of bearing (₹ 12.66 crore), payment to consultant (₹ 1.54 crore) and cost of safety and security (₹ 0.26 crore)

The Chief Engineer appointed an Arbitrator in September 2003. The Arbitrator conducted few hearings and resigned (June 2006) from this case. The Chief Engineer appointed another Arbitrator in June 2006. The second Arbitrator published his award in July 2007 and held the Executive Engineer responsible for slow progress of work as the Department failed to provide hindrance free site, supply drawings/design and other details necessary for execution of the work to the contractor, holding that the rescission of the contract under Clause 3(a), (b) and (c) of Agreement was illegal, unjustified and bad in law he directed the Department to release the amount of ₹ 60.54 lakh withheld by it with interest @ 10 per cent from 11<sup>th</sup> June 2003 to the date of award and @ 12 per cent from the date of award to actual date of payment.

The Department challenged the award in Hon'ble High Court of Delhi in August 2007 but the Hon'ble High Court also upheld (September 2007) the decision of the Arbitrator. Accordingly, the Department made a payment of ₹ 87.11 lakh to the contractor on 12<sup>th</sup> October 2007, which included ₹ 26.57 lakh as interest. Thus, unlawful rescission of contract and unnecessary withholding of the amount of ₹ 60.54 lakh of the contractor resulted in extra expenditure of ₹ 26.57 lakh.

Further, the Department awarded the balance work to M/s. Bharat Construction Company (Agency-II) on 17 April 2003 at a tendered amount of ₹ 12.79 crore with the stipulated date of completion of 26 November 2004. The rates of items received in the contract were much higher than the rates of the first contract. The contractor had completed 80 per cent of work till December 2005. The Department rescinded this contract as well in May 2006 because of slow progress of work and also debarred the agency from tendering for work in PWD, Delhi. The Agency challenged the order of the Department in Hon'ble High Court of Delhi and the Court held the decision of the Department for debarring the agency unlawful and imposed a fine of ₹ 5000 on the Department.

The balance work of agency-II was awarded to M/s. Dewan Chand (Agency-III) in December 2006 at the tendered amount of ₹ 9.39 crore with stipulated date of completion of 21<sup>st</sup> June 2007. The rates of items received in the contract were much higher than the rates of first contract. The difference in the cost of the work done by agency-II and agency III as compared to the rates of agency-I worked out to ₹ 5.15 crore. This excess expenditure could have been saved had the Department not unlawfully rescinded the contract of Agency-I.

Thus, unlawful rescission of the contract of Agency-I by the Department resulted in extra cost of ₹ 5.15 crore paid to Agency-II and Agency III apart from payment of interest of ₹ 26.57 lakh. It also prolonged the scheduled completion of the hospital building, which was scheduled to be completed in July 2002 but could be completed only in December 2010.

The matter was referred to the Department (February 2010). The Department stated (June 2010) that its decision to rescind the contract was appropriate as it could not wait indefinitely for resuming the work by the agency. The Department further stated (October 2010) that the agency was provided full co-operation and assistance for execution of work by removing various hindrances encountered at site from time to time. But the performance of the agency decreased with time and later the work was completely suspended.

The reply is not acceptable as the slow progress of work was attributable to the Department, e.g., non-fulfillment of commitments by the Department regarding providing hindrance free site and various drawings to the contractor in time. The arbitrator also held the Department responsible for non-supply of drawing and hindrance free site. The order of the arbitrator was also endorsed by the Hon'ble High Court and accepted by the Department.

Thus, even after rescission of the contract twice and spending an extra amount of ₹ 5.42 crore, the Department could not maintain the pace of work and building was not handed over till December 2010, resulting in denial of health care facilities to patients.



## Chapter 4

### Member of Parliament Local Area Development Scheme (MPLADS)

The Member of Parliament Local Area Development Scheme (MPLADS) is being implemented since 1994. The objective is to enable the Members of Parliament (MP) to suggest and get executed developmental works of capital nature based on locally felt needs with emphasis on creation of durable assets.

#### Highlights

- Four societies/trusts (Kerala Education Society, Sangeetka Institution, Manushi Sangthan and Jamia Hamdard) were released funds in excess of the ceilings prescribed under the scheme.  
*(Paragraph 4.2.1.2)*
- Against the booked amount of ₹ 88.56 crore, the expenditure incurred by the executing agencies during 2004-05 to 2009-10 was only ₹ 58.28 crore. Audit observed that the utilisation of funds during this period ranged from 49 to 95 per cent of the booked amount.  
*(Paragraph 4.2.2)*
- The scheme envisages that the works under the scheme should be limited to asset creation. Test-check of 707 works revealed that 549 works (78 per cent) recommended were for improvement of existing assets.  
*(Paragraph 4.2.3)*
- Out of 707 works test checked, wide variations in quantities executed against the quantities specified in BOQ were observed in 137 works.  
*(Paragraph 4.2.4)*
- MCD got executed 28 works of providing/laying Mastic Asphalt of five divisions out of MPLADS fund during 2004-10. In all the cases the contractors had used lesser quantity of bitumen as against the required quantity of 8.79 kg/sqm leading to excess payment of ₹ 36.73 lakh besides execution of sub-standard works.  
*(Paragraph 4.2.6.1)*

#### 4.1 Introduction

The Member of Parliament Local Area Development Scheme (MPLADS) is being implemented since 1994. Under the scheme ₹ 2 crore are placed at the disposal of respective MPs to be utilized at their discretion for creating durable assets based on the felt needs of their constituencies. The Ministry of Statistics and Programme Implementation (the Ministry) transfers the funds of the MPs to the Commissioner, Municipal Corporation of Delhi (MCD).

Besides MCD, Delhi Development Authority, Delhi Jal Board and Irrigation & Flood Control Department also work as implementing agencies.

Audit reviewed the performance of the scheme for the period 2004-05 to 2009-10, covering approximately 87 per cent of the total expenditure incurred on the scheme. Similar reviews were conducted in 1998 and 2001, which were printed in the report as para 5.1 and 2.2 respectively. The audit findings are discussed in the succeeding paragraphs.

## **4.2 Audit findings**

### **4.2.1 Non adherence of mandatory conditions for release of funds**

**4.2.1.1** Although each MP was required to recommend the works preferably within 90 days of the commencement of the financial year in the prescribed format, it was observed that works were being recommended throughout the year. 430 out of 707 (61 per cent) recommendations were received from the MPs after 90 days of commencement of the financial year. The delays ranged from 10 days to 272 days. Further scrutiny of the recommendations revealed that none of the recommendations was in the prescribed format.

**4.2.1.2** As per guidelines ₹ 25 lakh could be spent from MPLADS funds for one or more works of a particular society/trust. An advance up to 50 per cent only<sup>♦</sup> of the estimated amount of the sanctioned work could be granted to the concerned society/trust. Audit observed that four societies/trusts\* were released funds in excess of the ceilings prescribed under the scheme. An amount of ₹ 1 crore was released to Jamia Hamdard against the prescribed limit of ₹ 25 lakh. In respect of Manushi Sangthan, 100 per cent and in remaining two cases viz. Kerala Education Society and Sangeetka Institution, 75 per cent funds were released against the provision of 50 per cent. The reasons for excess and irregular release of funds were not furnished.

**4.2.1.3** Although the implementing agencies were required to furnish the works completion reports within 30 days of completion of the works, no such reports were being submitted by them. In the absence of completion reports the exact status of the works could not be ascertained. There was also no accountability for the expenditure in terms of the quality and quantities executed against the specifications. The Department admitted (September 2009) that implementing agencies were not submitting the completion reports and the matter was being taken up with implementing agencies for furnishing the completion reports.

<sup>♦</sup>The balance 50 per cent was to be released after utilization of 60 per cent of the advanced amount.

\* (1) Jamia Hamdard, (2) Kerala Education Society, (3) Manushi Sangthan, (4) Sangeetka Institution.

#### **4.2.2 Underutilization of funds**

Against the booked amount of ₹ 88.56 crore, the expenditure incurred by the executing agencies during 2004-05 to 2009-10 was only ₹ 58.28 crore. Audit observed that the utilization of funds during this period ranged from 49 to 95 *per cent* of the booked amount. The shortfall in utilization was mainly because of delayed execution of works by the executing agencies and non-submission of bills by the executing agencies for verification.

MCD replied (April 2009) that due to late recommendation of works and enforcement of model code of conduct for assembly elections, there was under utilisation of the booked amount. Further, meetings were held at various levels under the Chairmanship of the Commissioner of MCD and directions were issued to execute the works and utilize the MPLADS funds.

The reply is not tenable as under the MPLADS guidelines a timeframe is fixed for award of work after receipt of recommendations and the code of conduct is in force only for a limited period.

#### **4.2.3 Prohibited Works**

The scheme envisages that the works under the scheme should be limited to asset creation. Test-check of 707 works revealed that 549 works (78 *per cent*) recommended were for improvement of existing assets created by the MCD, DJB etc., like roads, drains, cement concrete pavements, parks etc. Thus, the scheme's resources only supplemented or filled the gaps in works undertaken under other schemes rather than adding new community assets. MCD replied (September 2009) that the works were undertaken on the recommendations of the MPs. The fact however, remains that such a large proportion of improvement works was contrary to the guidelines of the scheme.

#### **4.2.4 Variations between the quantities of items as per Bills of Quantities (BOQ) and the quantities actually executed.**

As per Para 23.1 of CPWD Manual item-wise variations up to 30 *per cent* can be sanctioned by the Executive Engineer, up to 60 *per cent* by the Superintending Engineer and beyond 60 *per cent* by the Chief Engineer.

Scrutiny of MPLADS works revealed that out of 707 works test checked, wide variations in quantities executed against the quantities specified in BOQ were observed in 137 works. These variations ranged from 16 *per cent* to 2312 *per cent* in two works, 50 *per cent* to 855 *per cent* in 19 works and 20 *per cent* to 343 *per cent* in 75 works. These variations had not been approved by the competent authority.

The variations indicate that the estimates had not been prepared on a realistic basis as was evident from the discrepancies noticed in the execution of various items. During exit conference the Engineer-in-Chief (E-in-C) agreed with the audit view (November 2009). Certain cases where variations were abnormally high are illustrated below:

**4.2.4.1** Although manholes are visible items, audit observed variation of 1250 *per cent* in execution of this item in the work “improvement to lane by providing RMC from HNo.5233 to 5216 Katra Rajji and adjoining lane” (Executive Engineer (M) SP Zone), payment was made for 27 manholes against two manholes provided in the BOQ. Further, joint physical inspection of the work “improvement of Rajiv Gandhi Road from Gali No.18 A to Road No.66” (North-East Division, Yamuna Vihar) revealed that against 15 manholes constructed, payments were made for 25 manholes. In reply to audit observation during joint physical inspection, the Chief Engineer-II, MCD while confirming the audit findings (August 2010) stated that a proposal for imposing major penalty on the concerned Assistant Engineer and Junior Engineer had been sent to the competent authority for approval.

**4.2.4.2** In one work of Irrigation and Flood control division relating to ‘reconstruction of General Chaupal at village Sarai Pipal Thala’ 50 extra items and six substituted items were executed indicating that the estimate prepared was unrealistic. This was brought to the notice of the department (July 2009) but no reply was received (February 2011). In four divisions\* of MCD, 25 *per cent* to 75 *per cent* items were not executed in 63 works and the remaining items were executed with variations ranging from 30 *per cent* to 1250 *per cent*. On being pointed out, concerned divisions stated (May-October 2009) that variations were due to site requirements. The replies cannot be accepted as the variations were too high in one case going upto as high as 1250 *per cent*.

#### **4.2.5 Delay in award and execution of works**

As per guidelines, works were to be awarded within 45 days from the receipt of recommendations of MPs. Audit scrutiny revealed that work orders in 404 out of 707 cases (57 *per cent*) were issued with delays ranging from five to 387 days. During the exit conference (November 2009), the Chief Engineer and Superintending Engineer stated that delay was because of time consumed in formalities like obtaining sanctions and approval for incurring the

\*M-II City Zone, M-III S.P. Zone, M-I and M-II Civil Lines Zone

expenditure. However, the fact remains that there was delay in award of works. Further, in the event of failure to complete the work within the stipulated time, action should have been taken in accordance with the stated government procedure. Audit observed that 93 works were completed after 11 to 547 days of their stipulated completion date. In 54 cases (58 per cent) of delays, extension of time had been granted and one of the reasons for delay cited by MCD was “due to DJB's ongoing works” whereas DJB cited that “the delay was due to ongoing MCD works”. This clearly indicated lack of co-ordination between the two agencies.

Moreover, extensions of time (EOT) had been granted to the contractors without following the proper procedure, i.e., on the basis of reasons recorded in the hindrance registers. In 71 out of 93 cases (76 per cent) of delay, no hindrance registers were maintained and in the rest of the cases hindrance registers were not properly maintained clearly indicating the period of hindrance and the required attestations were also not done. As a result, audit could not vouch safe for the authenticity of the reasons for granting extensions and also releasing payments. The department did not furnish any reply.

#### **4.2.6 Undue benefit to the contractor**

**4.2.6.1** According to the Delhi Schedule of Rates (DSR) 2002, bitumen of coefficient 8.79 kg/sqm was to be used on the item “providing and laying 25 mm thick Bitumen Mastic wearing course” for improvement/strengthening of roads by providing Mastic Asphalt.

Audit scrutiny revealed that MCD got executed 28 works of providing/laying Mastic Asphalt of five divisions out of MPLADS fund during 2004-10. In all the cases the contractors had used lesser quantity of bitumen as against the required quantity of 8.79kg/sqm leading to excess payment of ₹ 36.73 lakh, besides execution of sub-standard works. During exit conference (November 2009), the Engineer-in-Chief stated that action had already been taken in this regard based on earlier audit observation. However, there were similar instances in 2008-09 where the over payment was continuing.

**4.2.6.2** MCD got executed five works<sup>1</sup> of strengthening of roads by providing Asphaltic Concrete (AC) layer as wearing course, having 40 mm thickness, over the leveling course of Bituminous Macadam as per Ministry of Road, Transport and Highways (MORT&H) specifications.

Audit scrutiny revealed that the contractors were given undue benefit of an amount of ₹ 6.12 lakh by paying for excess quantity of 314.90 MT of AC\*. In

<sup>1</sup>Four works in Sadar Paharganj Zone and one work in Shahdara (South) Zone  
\*weight=area of the surface\*thickness\*density of mix

reply, the executing authorities stated (June and August 2009) that the thickness was determined as per the site conditions. The reply is not acceptable as there was no scope for excess quantity of AC since the surface area of the roads would have been made even by providing the leveling course of BM.

#### **4.2.7 Non-maintenance of asset registers**

The MCD/DJB did not maintain any register of assets created under the scheme, in the absence of which the location and existence of assets created were not verifiable. On being pointed out (July to October 2009), the executing divisions accepted that no such record was being maintained. Moreover, the point was also raised in the report of C&AG for the year 1998 and department in action taken note stated that instructions had been circulated to all concerned and the assets register were being maintained by the field staff.

#### **4.2.8 Conclusion**

The MPLADS, a plan scheme fully funded by the Government of India, aims at enabling Members of Parliament (MPs) to cater to local requirements through the creation of durable assets in their constituencies. However, the implementation of the scheme was marked by various shortcomings and lapses. The implementation of works was characterized by delays, non-adherence to the rules/guidelines, execution of prohibited works, excess payments, preparation of faulty estimates and lack of co-ordination among implementing agencies. These were indicative of failure of internal control mechanisms in the department in terms of non-maintenance of records.

#### **4.2.9 Recommendations**

- *Periodic surveys should be conducted to assess the requirement of durable community assets such as community halls, primary health centers, education centers, barat ghars, etc., to create a shelf of schemes. This will enable execution of works which are in tune with the felt needs of their constituencies.*
- *Efforts may be made to ensure execution of durable assets under the scheme and a computerized data base of such assets needs to be created.*
- *Preparation of estimates should be more realistic so as to minimize deviation in quantities.*

## Chapter 5

### Government Commercial and Trading Activities

#### 5.1 Overview of State Public Sector Undertakings

##### *Introduction*

**5.1.1** The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. In Delhi, the State PSUs occupy an important place in the State economy. The State PSUs registered a turnover of ₹ 4188.32 crore for the year 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 2.23 *per cent* of State Gross Domestic Product (GDP) for 2009-10. Major activities of Delhi State PSUs are concentrated in power and transport sectors. The State PSUs incurred a loss of ₹ 1591.13 crore in the aggregate for 2009-10 as per their latest finalised accounts as of September, 2010. They had employed 0.36 lakh employees as of 31 March 2010. The State PSUs do not include any prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments.

**5.1.2** As on 31 March 2010, there were 12 PSUs (all working), which included 10 Government companies and two Statutory corporations. None of these companies was listed on the stock exchange(s).

##### *Audit Mandate*

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

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

**5.1.5** Audit of Statutory corporations is governed by their respective legislations. Out of two Statutory corporations, CAG is the sole auditor for Delhi Transport Corporation. In respect of Delhi Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

### Investment in State PSUs

**5.1.6** As on 31 March 2010, the total investment (capital and long-term loans) in 12 PSUs (all working) was ₹ 19327.44 crore as per details given below :

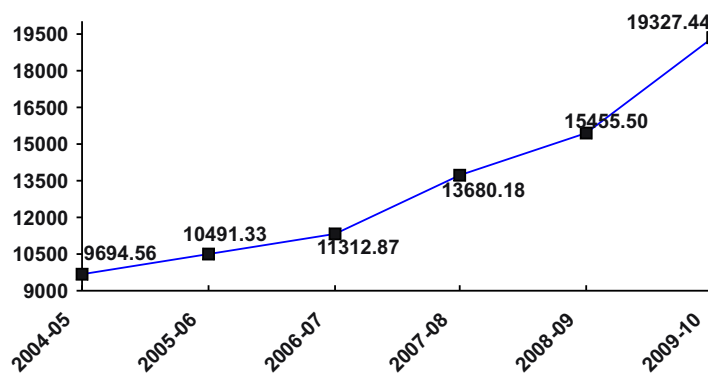
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	*Capital	Long Term Loans	Total	*Capital	Long Term Loans	Total	
All Working PSUs	5781.34	2568.53	8349.87	1390.36	9587.21	10977.57	19327.44

\* Capital includes share application money.

A summarised position of Government investment in State PSUs is detailed in *Appendix 5.1*.

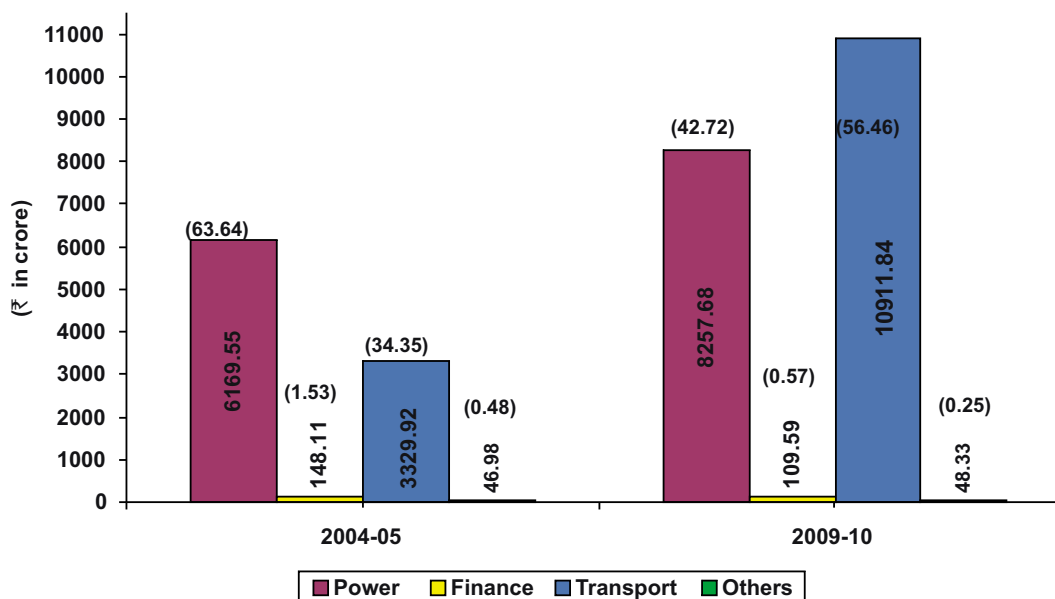
**5.1.7** As on 31 March 2010, entire investment in State PSUs consisted of 37.11 per cent towards capital and 62.89 per cent in long-term loans. The investment has grown by 99.36 per cent from ₹ 9694.56 crore in 2004-05 to ₹ 19327.44 crore in 2009-10 as shown in the graph below :



Investment (capital and long term loans) (₹ in crore)



**5.1.8** The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart.



(Figures in brackets show the percentage of total investment)

As may be seen from the above chart the thrust of PSU investment was mainly in transport and power sectors. The investment in Transport Sector increased from ₹ 3,329.92 crore in 2004-05 to ₹ 10,911.84 crore in 2009-10 with corresponding increase in percentage share in total investment from 34.35 per cent (2004-05) to 56.46 per cent (2009-10). In power sector, though the investment increased from ₹ 6,169.55 crore in 2004-05 to ₹ 8,257.68 crore in 2009-10, its percentage share in total investment decreased from 63.64 per cent (2004-05) to 42.72 per cent (2009-10).

**Budgetary outgo, grants/subsidies, guarantees and loans**

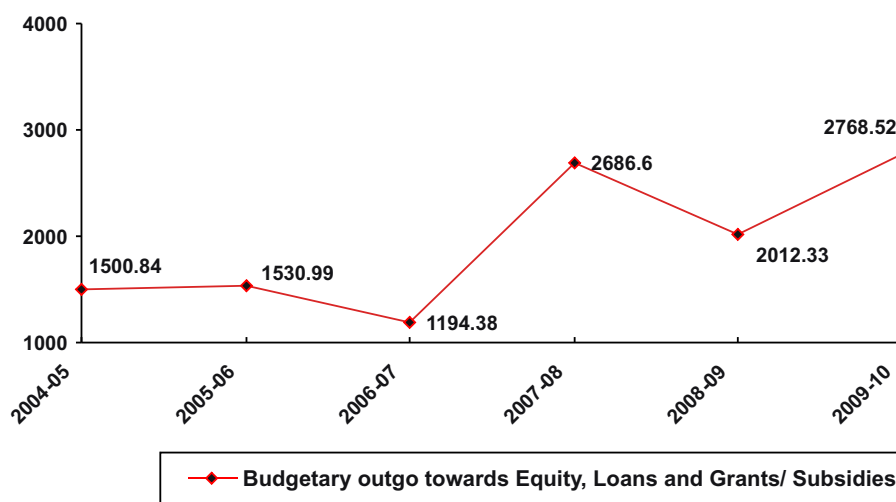
**5.1.9** The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued and loans converted into equity in respect of State PSUs are given in **Appendix 5.3**. The summarised details are given below for

three years ended 2009-10.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	4	1367.34	3	260.82	3	626.06
2.	Loans given from budget	3	1222.78	2	1651.55	1	1981.28
3.	Grants/Subsidy received	4	96.48	5	99.96	6	161.18
4.	Total Outgo (1+2+3)		2686.60		2012.33		2768.52
5.	Loans converted into equity	1	3452.00	-	-	-	-
6.	Guarantee received during the year					1	633.22

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



The budgetary outgo towards equity, loans, grants/subsidies has shown a mixed trend during the six years period from 2004-05 to 2009-10. The budgetary outgo to State PSUs during 2009-10 was ₹ 2,768.52 crore in comparison to ₹ 1,500.84 crore during 2004-05 mainly due to release of budgetary outgo of ₹ 2,679.44 crore towards equity/loan (₹ 2,601.28 crore) and grants/ subsidy (₹ 78.16 crore) to one Transport Sector Statutory corporation (viz. Delhi Transport Corporation) during 2009-10.

**5.1.11** Guarantees amounting to ₹ 633.22 crore were issued by State Government to one Power Sector PSU (viz. Delhi Transco Limited) during the year 2009-10.

**Reconciliation with Finance Accounts**

**5.1.12** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6927.18	6831.81	95.37
Loans*	877.11	591.61	285.50

**5.1.13** We observed that the differences occurred in respect of six PSUs and some of the differences were pending reconciliation since many years. In order to reconcile the discrepancy in figures of investment by the State Government in Government companies/ corporations, letters were written (November 2010) to the Controller of Accounts, Government of NCT of Delhi and the concerned State PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

**Performance of PSUs**

**5.1.14** The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in *Appendices 5.2, 5.5 and 5.6* respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working

\* Loan figure as per finance accounts made available for six Delhi State PSUs at serial no.1, 2,4,5,6 and 7 of Appendix 5.1. Loan figures as per finance accounts in respect of remaining six PSUs were not available.

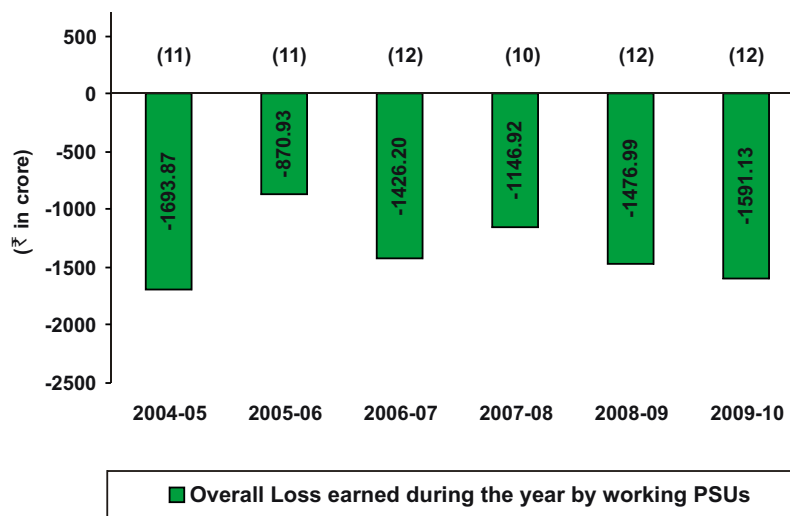
PSU turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover <sup>c</sup>	6886.00	7734.21	8283.41	3019.71	3555.63	4188.32
State GDP	92053	105815	125381	144303	165948	188064
Percentage of Turnover to State GDP	7.48	7.31	6.61	2.09	2.14	2.23

It can be seen from the above that the turnover of PSUs increased constantly upto 2006-07 but declined drastically by more than 63 *per cent* during 2007-08 as compared to 2006-07 mainly because of transfer of major activities of one power sector PSU (Delhi Transco Limited) relating to purchase and sale of power to power distribution companies in private sector with effect from 1 April 2007. This has correspondingly caused significant decline in percentage of turnover to GDP in subsequent years.

**5.1.15** Losses incurred by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



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

It can be seen from the bar chart that the working PSUs incurred overall losses which ranged between ₹ 870.93 crore to ₹ 1591.13 crore during 2005-06 to 2009-10. During the year 2009-10, out of 12 working PSUs, 8 PSUs earned profit of ₹ 454.25 crore and 4 PSUs incurred loss of ₹ 2045.38 crore. The major

<sup>c</sup>Turnover as per the latest finalised accounts as of 30 September.

contributors to profit were Pragati Power Corporation Limited (₹ 147.34 crore), Indraprastha Power Generation Company Limited (₹ 120.67 crore), Delhi Transco Limited (₹ 93.09 crore) and Delhi Power Company Limited (₹ 59.40 crore). Heavy losses were incurred by Delhi Transport Corporation (₹ 2042.73 crore).

**5.1.16** The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running of operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1,296.59 crore and infructuous investment of ₹ 181.44 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	(1146.92)	(1476.99)	(1591.13)	(4215.04)
Controllable losses as per CAG's Audit Report	17.78	576.62	702.19	1296.59
Infructuous Investment	4.96	176.48	-	181.44

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

**5.1.18** Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed ( <i>per cent</i> )	*	*	*	6.78	*	0.48
Debt	8844.32	9639.21	10452.39	7857.61	8910.50	12155.74
Turnover <sup>†</sup>	6886.00	7734.21	8283.41	3019.71	3555.63	4188.32
Debt/ Turnover Ratio	1.28:1	1.25:1	1.27:1	2.60:1	2.51:1	2.90:1
Interest Payments	902.40	791.64	964.81	1302.00	1474.21	1614.00
Accumulated Profits (losses)	(7142.65)	(8104.09)	(8712.51)	(10851.79)	(12395.49)	(14266.66)

(Above figures pertain to all PSUs).

**5.1.19** The above parameters exhibit deterioration in the financial position of the PSUs. During 2004-05 to 2009-10, the percentage of Return on Capital Employed was negative for all the years except during 2007-08 and 2009-10. The debt turnover ratio had shown marginal improvement from 1.28:1 in

\* Represent negative figures of Return on Capital Employed.

<sup>†</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September.

2004-05 to 1.25:1 in 2005-06 but started deteriorating thereafter and was registered at 2.90:1 during 2009-10. The accumulated losses have also increased steadily from ₹ 7142.65 crore in 2004-05 to ₹ 14266.66 crore in 2009-10.

**5.1.20** As per the recommendations of the Twelfth Finance Commission the State must adopt a modest rate of return on the investment made in public enterprises at the rate of five *per cent* in the form of dividend on equity. As per their latest finalised accounts eight\* PSUs earned a profit of ₹ 454.25 crore however, only four companies declared dividend of ₹ 36.57 crore viz. Pragati Power Corporation Limited (₹ 24.92 crore), Delhi Transco Limited (₹ 10.90 crore), Delhi Tourism and Transportation Development Corporation Limited (₹ 0.63 crore), and Delhi Financial Corporation (₹ 0.12 crore), which was 0.63 *per cent* of equity investment (₹ 5,773.13 crore) in these eight PSUs and 0.51 *per cent* of total equity investments (₹ 7,155.19 crore) in all twelve State PSUs.

#### **Arrears in finalisation of accounts**

**5.1.21** The accounts of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	11	12	10	12	12
2.	Number of accounts finalised during the year	14	11	14	11	15*
3.	Number of accounts in arrears	13	14	10	11	8
4.	Average arrears per PSU (3/1)	1.18	1.17	1.00	0.92	0.67
5.	Number of Working PSUs with arrears in accounts	3	4	2	3	2
6.	Extent of arrears	1 to 11 years	1 to 9 years	1 to 8 years	1 to 9 years	1 to 7 years

\* Delhi SC/ST/OBC Minorities Handicapped Financial and Development Corporation Limited, Delhi State Industrial and Infrastructure Development Corporation Limited, Delhi Power Company Limited, Delhi Transco Limited, Indraprastha Power Generation Company Limited, Pragati Power Corporation Limited, Delhi Tourism and Transportation Development Corporation Limited and Delhi Financial Corporation.

\*Includes the accounts of one PSU i.e. Shahjahanabad Redevelopment Corporation for the year 2008-09 which were not furnished for supplementary audit and were directly adopted in the Annual General Meeting without CAG Audit.

**5.1.22** From the table it is noticed that average arrear position of accounts per PSU is improving each year. During 2009-10, out of two PSUs having arrear of accounts, only one PSU (Delhi SC/ST/OBC/Minorities & Handicapped Financial and Development Corporation Limited) had major backlog of seven years of accounts mainly because of shortage of trained manpower. The other PSU had only a year's accounts in arrears as on 30 September 2010.

**5.1.23** The State Government had invested ₹ 22.17 crore (equity: ₹ 15.45 crore, loans: ₹ 2.49 crore and grants/ subsidy: ₹ 4.23 crore) in one PSU (Delhi SC/ST/OBC Minorities Handicapped Financial and Development Corporation Limited) during the years for which its accounts have not been finalised as detailed in Appendix 5.4. Delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

**5.1.24** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. As a result of this we could not assess the net worth of these PSUs. We had also taken up the matter of arrears in accounts every month with the Principal Secretary (Finance), Government of NCT of Delhi and with the Chief Secretary, Government of NCT of Delhi in November 2010 to expedite clearance of the backlog of arrears in accounts in a time bound manner.

**5.1.25 In view of above state of arrears, it is recommended that:**

- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

**Accounts Comments and Internal Audit**

**5.1.26** Ten working companies forwarded their audited twelve accounts to Accountant General (AG) during the year 2009-10. All these accounts were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The

details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	4.94	3	41.21	4	17.48
2.	Increase in profit	-	-	-	-	4	86.71
3.	Increase in loss	2	1048.67	2	658.29	1	7.52
4.	Decrease in loss	-	-	-	-	1	1.00
5.	Non-disclosure of material facts	1	5.04	-	-	5	242.27
6.	Errors of classification	1	29.21	-	-	3	4.30

**5.1.27** During the year, the statutory auditors had given unqualified certificate for two accounts, qualified certificates for ten accounts. Additionally, CAG gave qualified certificates for eight accounts, unqualified certificate for four accounts after the supplementary audit. There were seven instances of non-compliance with Accounting Standards during the year.

**5.1.28** Some of the important comments in respect of accounts of Companies are stated below:

***Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited (2002-03)***

- Current Liabilities and Provisions were understated and Profit was overstated by ₹ 1.25 crore on account of (i) short provision of leave Encashment (₹ 0.22 crore) and (ii) non provision of expenses payable (₹ 1.03 crore).
- Interest accrued had been debited to interest income account and thus resulted in understatement of income and profit for the year by ₹ 5.30 crore each.
- Interest accrued on FDR renewed comes to ₹ 1.70 crore approximately while interest accrued is shown at ₹ 0.87 crore thereby resulting in understatement of income (Net Profits) and current assets by ₹ 0.83 crore each.
- Interest earned amounting to ₹ 1.22 crore on unspent grant in aid has been treated as income of the company. This has resulted in overstatement of profit and understatement of liability towards unspent grant in aid by ₹ 1.22 crore.



***Delhi Tourism and Transportation Development Corporation Limited (2009-10)***

- Non compliance of AS-28 “ Impairment of Assets” issued by the ICAI on account of non provision of impairment losses of ₹ 1.01 crore in the value of fixed assets resulted in overstatement of Profit and Assets and Reserves by that extent.
- Advances and other amounts recoverable in cash or in kind or for value to be received in the Balance Sheet as at 31 March 2010, include an unreconciled old outstanding amount of ₹ 0.82 crore in the Excise Duty Advance account for IMFL for which no details are available.

***Delhi State Civil Supplies Corporation Limited (2009-10)***

- The existing provision towards Leave Encashment as liability remained short by ₹ 3.34 crore with corresponding understatement of loss for the year to that extent.
- The Current liabilities were understated by ₹ 2.35 crore on account of (i) Licence fee payable for shops and godowns allotted by PWD, DDA and DSCSC but not formally surrendered by the Company (₹ 1.59 crore), (ii) Miscellaneous liabilities (₹ 0.48 crore) pertaining to the year 2009-10 but discharged in 2010-11 and (iii) Amounts against the deposit works for construction of Siraspur godown (₹ 0.28 crore). Consequently loss for the year was understated by ₹ 2.07 crore and Fixed assets by ₹ 0.28 crore.

***Delhi State Industrial & Infrastructure Development Corporation Limited (2008-09)***

- Capital commitments do not include the amount of committed liability of ₹ 111.12 crore on account of Low Cost Housing Scheme.

***Delhi Power Company Limited (2009-10)***

- The Company did not transfer the dividend received during 2009-10 amounting to ₹ 38.32 crore to Power Stabilisation Fund created for the purpose of grant of short term loan to Power Companies in Delhi as required by the Government of NCT of Delhi. Consequently the Accumulated losses and Power Stabilisation Fund was understated by ₹ 38.32 crore.
- Out of the Sundry Debtors amounting to ₹ 448.13 crore taken over from erstwhile Delhi Vidyut Board relating to cases under litigation and Government connections that are under examination for appropriate provisioning/write off, ₹ 332.89 crore are doubtful of recovery and need to be provided for, thus overstating Sundry Debtors by the same amount.

**5.1.29** Similarly, two working statutory corporations forwarded two accounts to Accountant General (AG) during the year 2009-10. Of these, one account of one Statutory corporation pertained to sole audit by CAG which was finalised in December 2010 and its audit was in progress (December 2010). The remaining one account of one corporation was selected for supplementary audit. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10*	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	1.40	1	1.68	-	-
2.	Increase in profit	-	-	-	-	1	0.26
3.	Increase in loss	1	7.16	-	-	1	543.05
4.	Non-disclosure of material facts	1	1.36	-	-	1	19.43
5.	Errors of classification	1	0.73	-	-	1	3.82
6.	Decrease in loss	-	-	-	-	1	1.17

During the year, the one year accounts (2009-10) of one corporation (Delhi Financial Corporation) audit of which was completed, received qualified certificates from Statutory auditors and CAG.

**5.1.30** Some of the important comments in respect of accounts of the Statutory Corporations are stated below.

#### *Delhi Financial Corporation (2009-10)*

- As per the agreement between the corporation and Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation (DSCFDC) for the CNG buses Financing Scheme 9.8 per cent of the total loan recovered was to be transferred to DSCFDC. The corporation settled 40 loan cases for which it provided short liability of ₹ 1.70 lakh and in respect of 40 unsettled cases the corporation provided excess liability of ₹ 35.88 lakh. Thus, the current liabilities were overstated and Profit was understated by ₹ 0.34 crore on account of settled and unsettled cases under CNG buses Financing Scheme.

\*Includes the impact of comments on the accounts of one corporation (Delhi Transport Corporation), which were finalised in October 2009 but Separate Audit Report issued during current year (2009-10).

**Delhi Transport Corporation (2008-09)**

- The Corporation has not got done actuarial valuation of the provision for Gratuity liability required as on 31 March 2009 in contravention of the requirement of AS-15. Further as per the actuarial valuation of the provision for Gratuity as on 31 March 2008, a liability of ₹ 433 crore existed. As against this the Corporation had Gratuity fund to the extent of ₹ 67.14 crore only as on 31st March 2009 resulting in understatement of Gratuity fund and Salary & Allowances by ₹ 365.86 crore each and consequent understatement of accumulated losses by the same amount.
- Based on recommendations of the Sixth Central Pay Commission for revision of pay and allowances of its employees w.e.f 1 January 2006, the Corporation paid 40 per cent arrears during the year 2008-09. However they failed to make the provision for the balance 60 *per cent* arrears to be payable to the employees amounting to ₹ 155 crore. This has resulted into understatement of salary & allowances and current liabilities by ₹ 155 crore and consequent under statement of losses by the same amount.
- The non operating revenue includes interest income of ₹ 30.99 crore accrued but not due on short term fixed deposits with banks. It was observed that while calculating the above interest the Corporation has also accounted for the interest receivable for the period beyond 31 March 2009. This has resulted in overstatement of interest income and sundry debtors by ₹ 8.28 crore each and consequent understatement of losses by the same amount.
- The Current Liabilities and losses were understated by ₹ 6.81 crore due to non-provision of Service Tax on income from advertisement for the period May 2006 to March 2008.

**5.1.31** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of seven companies<sup>f</sup> for the

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<sup>f</sup>Sr. No. 1,2,6,7,8,9 and 10 in Appendix-5.2.

year 2008-09 and six companies<sup>u</sup> for the year 2009-10 are given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2
1.	Non-fixation of minimum/maximum limits of store and spares	4	A-2, 5, 6, 7
2.	Absence of internal audit system commensurate with the nature and size of business of the company	4	A- 1, 7, 9, 10
3.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	6	A- 1, 2, 5, 7, 8, 9
4.	Non maintenance of cost record	2	A-1, 5

#### **Status of placement of Separate Audit Reports**

**5.1.32** The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Delhi Financial Corporation	2008-09	2009-10	5.10.10	Not furnished by the administrative department.
2.	Delhi Transport Corporation	2007-08	2008-09 2009-10	9.2.10 Audit in progress	-do- -

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

<sup>u</sup>Sr. No. 1,2,6,7,8,9 and 10 in Appendix-5.2.

***Disinvestment, Privatisation and Restructuring of PSUs***

**5.1.33** The State Government had not undertaken the exercise of disinvestment, privatisation or restructuring of any of the State PSUs during 2009-10.

***Reforms in Power Sector***

**5.1.34** The State has a Delhi Electricity Regulatory Commission (DERC) which was formed in March 1999 under the erstwhile Electricity Regulatory Commission Act 1998\* with the objective of rationalisation of electricity tariff, advising in matters relating to generation, transmission and distribution of electricity in the State and issue of licences. During 2009-10, DERC issued 41 orders (four on Annual Revenue Requirements and 37 on other matters).

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\*The Electricity Regulatory Commission Act, 1998 has been repealed by the Electricity Act, 2003 with effect from June 2003.

## Performance Audit

### 5.2 Power Generation Activities in Delhi

#### Executive Summary

Power is an essential requirement for all facets of life and has been recognized as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. As part of the power sector reforms, the Government of National Capital Territory of Delhi (GNCTD) notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 on 20 November 2001. Consequently, two coal based and one gas based power stations, having installed capacity of 664.5 MW, were transferred to Indraprastha Power Generation Company Limited (IPGCL) with effect from 30 June 2002. One Gas based Power Station of 330 MW capacity under a new entity named Pragati Power Corporation Ltd (PPCL) was commissioned in March 2003. The performance audit of the two power generating companies in Delhi for the period 2005-06 to 2009-10 was conducted to ascertain whether the generating companies were able to achieve the aims and objectives stated in the National Electricity Plan and whether the augmentation planned had been achieved so as to achieve 'Power for all' by 2012.

#### Financial Performance

The accumulated losses and borrowings of IPGCL stood at ₹ 15.99 crore and ₹ 362.54 crore respectively and general reserve and borrowings of PPCL stood at ₹ 594.96 crore and ₹ 843.23 crore as on 31 March 2010. The cost of generation of per unit electricity of IPGCL increased from ₹ 2.44 to ₹ 3.38 while in PPCL it decreased from ₹ 1.83 to ₹ 1.68 during the review period.

#### Capacity addition and execution of Contracts

Delhi State had total installed capacity of 994.5 MW against the peak demand of 3558 MW at the beginning of 2005-06. At the end of 2009-10, the installed capacity reduced to 735 MW against the peak demand of 4464 MW leaving a deficit of 3729 MW. The deficit of own generation versus peak demand had partly increased because of growth of 25.46 *per cent* in demand of power requirement since the beginning of 2005-06, with no corresponding capacity addition during review period.

In order to enhance capacity addition, PPCL awarded the contract (April 2008) on turnkey basis for design, engineering, manufacturing, supply, installation and commissioning of 1500 MW gas turbine plant at Bawana at a value of ₹ 3500 crore to BHEL on single quotation basis. The option of re-tendering was not considered because of urgency to complete the project before the Common Wealth Games but as a result of delays, the capacity addition of 1250 MW, stipulated before the games was not available.

#### Input Efficiency

Consumption of inputs was in excess of norms to the extent of ₹ 107.67 crore in fuel (coal and gas), ₹ 5.27 crore in secondary oils and ₹ 7.87 crore in de-mineralised water. Further, it was also observed that both the gas power stations suffered generation loss of 954.51 MUs valued at ₹ 114.50 crore due to short supply of gas by GAIL, for which no claim was lodged whereas these stations had to incur liability of ₹ 37.75 crore on account of failure

to take the minimum guaranteed quantity of gas as a result of inequitable agreement clause with GAIL.

### **Operational Performance**

The norms fixed by CEA / DERC for generation of power were not achieved by the two power generation companies. There was a shortfall in generation by two companies during the review period which was equivalent to 1518.05 MUs valued at ₹ 239.85 crore. Further, there was shortfall to the extent of 2989.57 MUs and 1578.21 MUs valuing ₹ 510.03 crore and ₹ 156.48 crore on account of possible generation to actual generation based on hours turbines actually operated in respect of two power stations of IPGCL and one station of PPCL examined in audit. The shortfall in generation was attributable to the low plant load factor, low capacity utilisation, major shutdown and delay in repairs and maintenance. Further, for the purpose of proper and optimum evacuation on generation from power plants, there is need to have strengthened network at plants to evacuate power. RTPS and GTPS lost potential generation of 53.91 MUs valued at ₹ 8.63 crore due to evacuation constraints at both the plants. It was observed that forced outages at RTPS and GTPS of IPGCL in excess of 10 per cent norms fixed by CEA resulted in loss of generation of 971.88 MUs valuing ₹ 163.08 crore during 2005-10. Auxiliary consumption of power at RTPS and GTPS of IPGCL was in excess of norms resulting in excess consumption of 88.30 MUs valuing ₹ 16.31 crore in the review period. Further, instances of poor quality of repair and maintenance works were also noticed.

### **Financial Management**

There was net decrease in cash and cash equivalent in 2008-09 and 2009-10 in respect of IPGCL while in PPCL decrease in cash and cash equivalent was in the years 2005-06, 2006-07 and 2009-10. Main reasons for cash deficit include heavy interest commitment on loans and locking up of funds in inventory

not required immediately. Further, holding of stocks of spares in excess of norms prescribed by CERC led to blocking of funds to the tune of ₹ 101.03 crore.

### **Environmental Issues**

Consent from Delhi Pollution Control Committee (DPCC) is mandatory to run a power station in Delhi. Two power stations viz. RTPS and GTPS continued to run without statutory consent to operate certificate from DPCC for 20 years and 18 years respectively. Air, noise and water pollution levels at these power stations were also not kept at levels prescribed by DPCC. The recommendations made by Energy Auditors in RTPS and GTPS in 2006-07 were not implemented even after a lapse of three years.

### **Conclusions and Recommendations**

Generation companies in Delhi could not keep pace with growing demand of power in the State. Capacity addition of 1500 MW envisaged by November 2010 (1250 MW by Common Wealth Games) could not come up due to delay in execution of mega power plant at Bawana which is behind schedule by about eight months. Operational performance of power stations of IPGCL were affected due to low PLF, low plant availability, poor capacity utilization, excessive forced outages due to running on partial load, frequent shut downs and delays in repair & maintenance. Air, noise and water pollution levels at RTPS and GTPS were neither monitored regularly due to absence of online monitoring equipments nor kept with in level prescribed by DPCC. The review contains seven recommendations which include strengthening project monitoring system, enhancing efficiencies to consume fuel within prescribed norms, ensuring adequate availability of gas, strengthening repair and maintenance practices and ensure compliance to environmental laws, etc.

### **5.2.1 Introduction**

Power is an essential requirement for all facets of life and has been recognized as a basic human need. The availability of reliable and quality power at competitive rates is very crucial to sustain growth of all sectors of the economy. The Electricity Act 2003 provides a framework conducive to the development of the Power Sector, promotes transparency, competition and protects the interest of the consumers. In compliance with Section 3 of the ibid Act, the Government of India (GOI) prepared the National Electricity Policy (NEP) in February 2005 in consultation with the State Governments and Central Electricity Authority (CEA) for development of the Power Sector based on optimal utilisation of resources like coal, gas, nuclear material and hydro and renewable sources of energy. The policy aims at, inter alia, laying guidelines for accelerated development of the Power Sector. It also requires CEA to frame the National Electricity Plan once in five years.

### **5.2.2 Status of Power Sector in Delhi State**

As part of the power sector reforms the Delhi Electricity Reform Act, 2000 (DERA) was enacted. Pursuant to the provisions of this Act, the Government of National Capital Territory of Delhi (GNCTD) notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 on 20 November 2001. The Transfer Scheme provided for unbundling of the functions of Delhi Vidyut Board (DVB) and the transfer of existing transmission assets of DVB to Delhi Transco Limited and the existing distribution assets to three Distribution Companies (Discoms). Further, all the assets, liabilities, rights and interest of DVB in the generating stations were transferred to Indraprastha Power Generation Company Limited (IPGCL) w.e.f. 30 June 2002, which had three power stations detailed below:

- Indraprastha Power Station (IP Station) with total capacity of 247.5 MW (3x62.5+1x60). This station was closed down in December 2009.
- Rajghat Thermal Power Station (RTPS) with a total capacity of 135 MW (2x67.5).
- Gas Turbine Power Station (GTPS) with a total capacity of 282 MW (6x30+3x34).

One gas based power station of 330 MW capacity having two gas turbines of 104 MW each and one steam turbine of 122 MW under a new entity named Pragati Power Corporation Limited (PPCL) was commissioned in March 2003.



The requirement of power in Delhi was met from own generation as well as import of power by distribution companies from other sources. The electricity requirement of Delhi state during 2005-06 was assessed at 31816.32 MUs during the year of which only 31536 MUs was met leaving a shortfall of 280.32 MUs which works out to 0.88 per cent of the requirement. In 2009-10, against the requirement of 39104.64 MUs, only 38614.08 MUs was met, thereby leaving a shortfall of 490.56 MUs (1.25 per cent).

The total installed power generation capacity in the state was 994.5 MW in 2005-06 against the maximum demand of 3558 MW in the beginning of 2005-06 leaving a deficit of 2563.5 MW. As on 31 March 2010, the comparative figure of maximum demand and available capacity was 4464 MW and 735 MW with deficit of 3729 MW. Thus, though the demand increased by 906 MW (25.46 per cent), there was no capacity addition during the period of five years. In fact, own capacity of power generation in Delhi had reduced by 259.5 MW due to closure of IP Station with capacity of 247.5 MW in December 2009 and reduction in rating of steam turbine units of GTPS by 12 MW. With the result, the percentage of own generation to maximum demand has reduced from 17.62 in 2005-06 to 12.90 in 2009-10.

The two power generating companies of Delhi viz. IPGCL and PPCL were incorporated on 4 July 2001 and 9 January 2001 respectively under the Companies Act 1956 within the administrative control of the Power Department of the GNCTD. Both the generating companies are run by the same management with a Board of Directors comprising of a Chairman, a Managing Director, Directors and functional Directors appointed by the GNCTD. The BoD is headed by the Chairman (who is ex-officio Secretary (Power), Government of NCT of Delhi). The Managing Director is the Chief Executive and is assisted in the day to day operations by the functional Directors and General Managers of the two thermal generation stations of IPGCL and one power station of PPCL. The turnover of the IPGCL and PPCL was ₹ 865.78 crore and ₹ 500.70 crore respectively aggregating to ₹ 1366.48 crore in 2009-2010, which was equal to 32.63 per cent of the State PSUs turnover and 0.73 per cent of the State GDP during the year. IPGCL and PPCL employed 1323 and 102 employees respectively as on 31 March 2010.

Reviews on the working of the RTPS of IPGCL, fuel management in power stations of IPGCL, working of GTPS of IPGCL and IP Station of IPGCL were included in the Report of the Comptroller and Auditor General of India for the years 2002, 2004, 2005 and 2007 respectively of Government of NCT of Delhi. Out of the above, the Report of GTPS of IPGCL was discussed by COPU (February 2010). However, recommendations are awaited (December 2010).

### **5.2.3 Scope and Methodology of Audit**

The present review conducted during February 2010 to May 2010 covers the performance of the IPGCL and PPCL pertaining to the period from 2005-06 to 2009-10. The review mainly deals with planning, project management, financial management, operational performance, environmental issues and monitoring by the top management. The audit examination involved scrutiny of records at the Head Office of IPGCL and PPCL and two power stations of IPGCL and one power station of PPCL.

The methodology adopted for attaining the audit objectives with reference to the audit criteria consisted of explaining the audit objectives to the top management in an entry conference, scrutiny of records at the head office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, discussion of audit findings with the management and issue of draft review to the management for comments.

### **5.2.4 Audit Objectives**

The objectives of the performance audit were:

#### **Planning and Project Management**

- To assess whether capacity addition programme to meet the shortage of power in the State is in line with the National Policy of Power for All by 2012;
- To assess whether a plan of action is in place for optimization of generation from the existing capacity; and
- To ascertain whether the execution of projects was managed economically, effectively and efficiently.

#### **Financial Management**

- To ascertain whether the projections for funding of new projects and upgradation of existing generating units were realistic including the identification and optimal utilization for intended purpose;
- To assess whether all claims including energy bills and subsidy claims were properly raised and recovered in an efficient manner; and
- To assess the soundness of financial health of the generation companies.

### **Operational Performance**

- To assess whether the power plants were operated efficiently and preventive maintenance as prescribed was carried out minimizing the forced outages;
- To assess whether requirements of each category of fuel was worked out realistically, procured economically and utilized efficiently;
- To assess whether the manpower requirement was realistic and its utilization optimal; and
- To assess whether the life extension (LE), Renovation and Modernization (R & M) programmes were ascertained and carried out in an economical, effective and efficient manner.

### **Environmental Issues**

- To assess whether the various types of pollutants (air, water, noise, hazardous waste) in power stations were within the prescribed norms and the power stations complied with the statutory requirements; and
- To assess the adequacy of waste management system and its implementation.

### **Monitoring and Evaluation**

- To ascertain whether adequate MIS existed in the entities to monitor operational performance and assess its impact.

### **5.2.5 Audit Criteria**

The audit criteria adopted for assessing the achievement of the audit objectives were:

- National Electricity Plan, norms/guidelines of CEA regarding planning and implementation of the projects;
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Targets fixed for generation of power ;
- Parameters fixed for plant availability, Plant Load Factor (PLF), Thermal Efficiency/ Station Heat Rate etc by DERC/CERC;
- Performance of best performers in the regions/all India averages;
- Prescribed norms for planned outages; and
- Environmental laws.

### **5.2.6 Financial Position and Working Results**

The financial position of the IPGCL for the five years ending 2009-10 is given in **Appendix 5.7**. It may be seen from the appendix that accumulated losses in IPGCL reduced from ₹ 134.32 crore, to ₹ 120.66 crore in 2008-09 and further to ₹ 15.99 crore in 2009-10 because the Company earned profit in the years 2008-09 and 2009-10.

The details of working results like cost of generation of electricity, revenue realisation, net surplus/ loss and earnings and cost per unit of operation are given in **Appendix 5.8**. The turnover of IPGCL increased by 38.29 *per cent* from 2005-06 to 2008-09, however, it declined by 0.09 *per cent* in 2009-10 following closure of its IP Station. Increase in turnover from 2005-06 to 2009-10 was due to higher realisation per unit, though generation had decreased by 14.53 *per cent* in 2009-10 in comparison to 2005-06. The IPGCL could earn profit only in 2008-09 and 2009-10 during the review period due to higher realisation per unit as compared to increase in cost per unit.

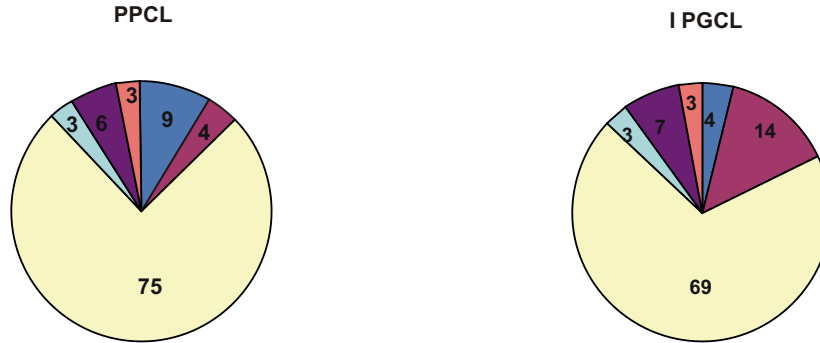
The financial position of PPCL for the five year period ending 2009-10 is given in the **Appendix 5.9**. It may be seen that the reserves and surplus of the Company had increased by 248 *per cent* from 2005-06 to 2009-10, indicating the sound financial health of the Company.

The details of working results like cost of generation of electricity, revenue realisation, net surplus/ loss and earnings and cost per unit of operation are given in **Appendix 5.10**. It may be seen that the financial performance of the Company was not consistent as its turnover increased in 2006-07 as compared to 2005-06 but declined in 2007-08. Again it declined in 2009-10 as compared to 2008-09. This was mainly due to variation in tariffs in different years allowed by DERC and consequent accounting of the impact of same in the financial statements.

### **5.2.7 Elements of Cost**

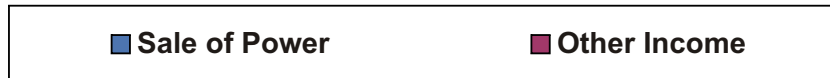
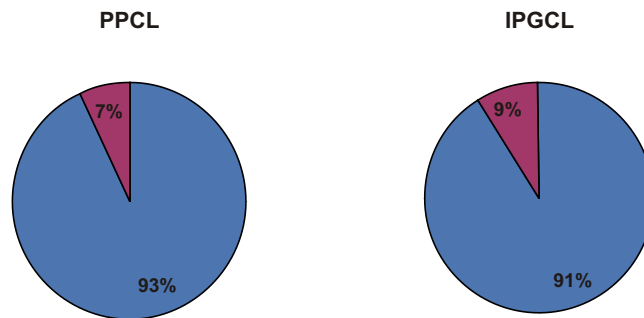
In PPCL, the constituents of major elements of cost are Fuel and consumables, manpower and Interest & Finance charges, whereas, in IPGCL the major constituents are Fuel and consumables, depreciation and Interest & Finance

charges. The percentage wise break-up of costs for 2009-10 is given below in the pie-chart.



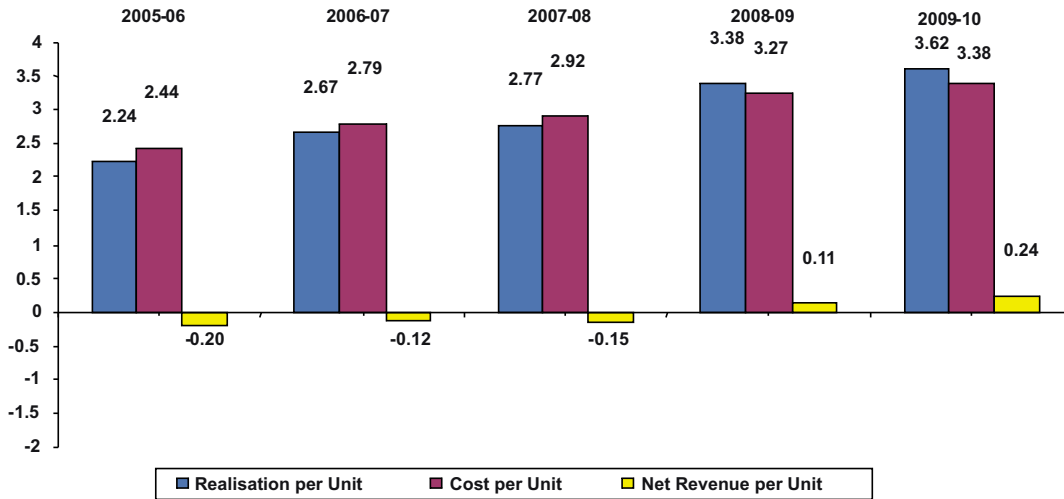
### 5.2.8 Elements of Revenue

Sale of power in both PPCL and IPGCL constituted the major element of revenue. The percentage wise break-up of revenue for 2009-10 is given below in the pie-chart.



5.2.9 Recovery of cost of operations

The IPGCL was not able to recover its cost of operations during the years 2005-06, 2006-07 and 2007-08. The net revenue turned positive from 2008-09 as shown in the graph below:



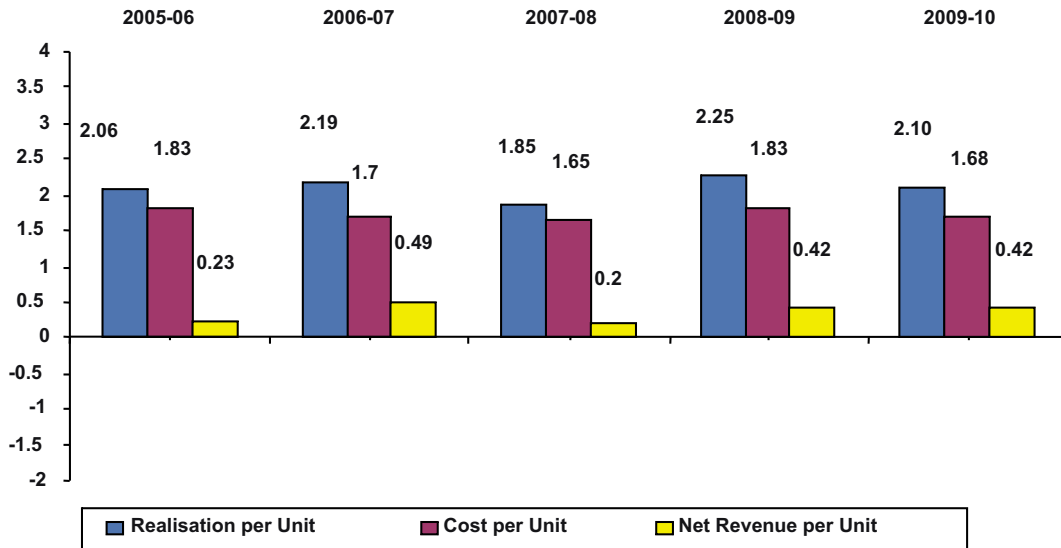
IPGCL was not able to recover its cost of operations during 2005-08

Had the revenue earned by IPGCL covered the cost during 2005-06 to 2007-08, an additional amount of ₹ 125.79 crore could have been available for capacity addition/life extension programmes. The main reasons for high cost of generation/ supply had been poor capacity utilization which eroded the system performance, high level of auxiliary consumption etc. The other reasons were over staffing in administration and higher interest cost.

On the other hand, the PPCL was able to recover its cost of operations. During



the last five years ending 2009-10, the net revenue has been positive as given in the graph below:



**5.2.10 Audit Findings**

Audit explained the audit objectives to the management of IPGCL / PPCL during an 'Entry Conference' held on 23 February 2010. Subsequently, audit findings were reported to the IPGCL and PPCL in May 2010 and State Government in January 2011 and discussed in an 'Exit Conference' held on 20 January 2011 which was attended by the management of both the companies and the representative of Department of Power, GNCTD. The IPGCL / PPCL replied to audit findings in August 2010. The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

**5.2.11 Operational Performance**

The operational performance of the generation stations of IPGCL and PPCL for the five years ending 2009-10 is given in **Appendix 5.11 and 5.12**. The performance was evaluated on various operational parameters. The operations of power generating companies are dependent on input efficiency consisting of material and manpower and output efficiency, which is connected with Plant Load Factor, plant availability, capacity utilization, outages and auxiliary consumption. These aspects have been discussed in the succeeding paragraphs.

### 5.2.12 Planning

National Electricity Policy (NEP) aims to ensure availability of over 1,000 units of per capita electricity by 2012, for which it was estimated that need based capacity addition of more than 1,00,000 MW would be required during 2002-2012 in the country. The power availability scenario in the state indicating own generation, purchase of power, peak demand and net deficit was as under:

Year	Generation (MW)	Peak Demand	Average Demand	Percentage of actual generation to Average Demand	Percentage of actual generation to Peak Demand
2005-06	639.99	3632	2418	26.47	17.62
2006-07	599.78	3737	2509	23.91	16.05
2007-08	636.12	4045	2554	24.91	15.73
2008-09	629.42	4036	2512	25.06	15.60
2009-10	575.86	4464	2666	21.60	12.90

During the period from 2005-06 to 2009-10, the actual generation was substantially less than the peak as well as average demand as shown above which was only 21.60 to 26.47 *per cent* of the average demand and 12.90 to 17.62 *per cent* of the peak demand. Moreover, the total supply even after import was not sufficient to meet the peak demand, as shown below:

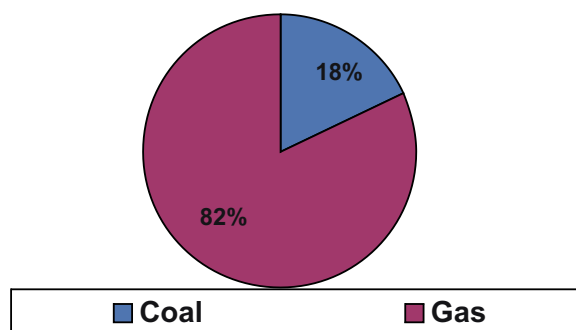
Year	Peak Demand (MW)	Peak Demand met (MW)	Sources for meeting peak demand (MW)		Peak Deficit (Percentage of Peak Demand)
			Own	Import	
2005-06	3632	3600	639.98	2960.02	0.88
2006-07	3737	3736	599.78	3136.22	0.03
2007-08	4045	4030	636.11	3393.89	0.37
2008-09	4036	4034	629.42	3404.58	0.05
2009-10	4464	4408	575.86	3832.14	1.25

From the above, it may be seen that there remained a shortfall ranging from 2992.02 MW to 3888.14 MW with reference to own generation. This indicated over dependence on import rather than increase in own generation.



**Capacity Additions**

The State had total installed capacity of 994.5 MW at the beginning of 2005-06 which reduced to 735 MW at the end of 2009-10 with closure of one power station. The breakup of generating capacities, as on 31 March 2010, under coal and gas is shown in the pie chart below:



To meet the energy generation requirement of 4464 MW in the State, a capacity addition of about 3729 MW was required during 2005-06 to 2009-10. The projects of 1500 MW were categorised as 'Projects under Construction' (PUC) during the review period according to NEP.

The particulars of capacity additions envisaged and actual additions during the review period are given below:

Sl. No	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Capacity at the beginning of the year (MW)	994.5	994.5	994.5	994.5	982.5
2.	Additions Planned for the year as per National Electricity Plan (MW)					250
3.	Additions planned by the State (MW)	-	-	-	-	250
4.	Actual Additions (MW)	-	-	-	-	-
5.	Reduction in capacity	-	-	-	12 <sup>1</sup>	247.5 <sup>2</sup>
6.	Capacity at the end of the year (MW) (1 + 4 -5)	994.5	994.5	994.5	982.5	735
7.	<b>Shortfall in capacity addition (MW) (4 – 2)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>250</b>

The planning and execution of the capacity addition planned as per NEP is discussed below.

<sup>1</sup>The capacity of steam turbine units of GTPS was reduced by 12 MW in September 2008 by CEA.  
<sup>2</sup>IP Station of IPGCL with capacity of 247.5 MW was closed in December 2009.

***Delay in execution of 1500 MW Gas based Power project at Bawana***

To increase capacity and improve reliability of power supply the management of PPCL initiated action in 2003 and 2004 for setting up of 1000 MW Gas based power station at Bawana and 350 MW Gas based Power station at Bhairon Road, Pragati Maidan. In September 2004, GNCTD initially decided to develop the project at Bawana through a private developer. However, in November 2006 the GNCTD finally approved the setting up of 1000 MW at Bawana under government set up and PPCL applied for getting environment clearance in January 2007 from Ministry of Environment & Forest (MOEF) which was granted in March 2007. As regards 350 MW station at Pragati Maidan, when MOEF declined environment clearance to PPCL due to high levels of pollution, it was decided to enhance the capacity of Bawana project from 1000 MW to 1500 MW and accordingly PPCL applied for environmental clearance in March 2007 which was received in April 2007. Revised feasibility report for enhanced capacity was prepared in June 2007 with estimated cost of ₹ 5195.81 crore. PPCL invited international competitive bids in July 2007 with due date of opening on 31 October 2007 which was extended twice up to 25 January 2008 on the request of parties. However, only BHEL submitted their offer on which negotiations and discussions were held between 25 January 2008 to 10 April 2008 on technical and commercial aspects and finally awarded the contract (30 April 2008) on turnkey basis for design, engineering, manufacturing, supply, installation, testing and commissioning of 1500 MW (Nominal) combined cycle gas turbine plant at Bawana at a negotiated price of ₹ 3500 crore including the supply of mandatory spares.

The following table shows the scheduled date of commissioning of six units of the Plant:

<b>Name of the Unit (250 MW each)</b>	<b>Expected date of commissioning</b>	<b>Current status (January 2011)</b>
1 <sup>st</sup> Gas Turbine (GT)	March 2010	Synchronised on 11 October 2010
2 <sup>nd</sup> GT	May 2010	Work in progress
3 <sup>rd</sup> GT	July 2010	
4 <sup>th</sup> GT	September 2010	
1 <sup>st</sup> GT Combined Cycle (GTCC)	July 2010	
2 <sup>nd</sup> GTCC	November 2010	

As on 31 October 2010, the work was under progress at Bawana and PPCL had incurred an expenditure of ₹ 2330 crore.

In this regard the following were observed:

- The erstwhile Delhi Vidyut Board purchased about 100 acres of land for establishing power plant at Bawana in 1993. The project could not take off for many years because decision was not taken on whether to sell the land to private developer for power project or to establish the project under Public Private Partnership (PPP) basis or to setup the same under Government. Our scrutiny revealed that in January 2003, PPCL initiated process for setting up 1000 MW plant but it was only in November 2006 that the GNCTD took a firm decision, thus taking about 3 years to firm up the idea. The project was awarded in April 2008, thus adding another two years to the delay.
- Delay in the execution of the project after award of turnkey project further added to the delay with the result that the first 250 MW GT which was to be commissioned in March 2010 has been synchronised on 11 October 2010. Thus no capacity addition was available by the Common Wealth Games as envisaged. The project is behind schedule by about eight months.

Due to delay in execution of Bawana project, no additional capacity was available by Common Wealth Games

The management stated that for establishing of power project, period of 7-8 years was required from the day the idea is conceived till the plant is commissioned because of magnitude of work involved and different activities & stages. The fact remains that the delay cannot be denied and in June 2010 the PPCL had informed the Chief Secretary, Delhi that due to inadequate mobilization of additional resources at site by BHEL, the delay had occurred. The delay at different stages could have been minimized with firm & timely decision, better coordination, implementation and enforcing terms on contractor.

We further observed that contract valuing ₹ 3500 crore was awarded to BHEL as turnkey contract on single quotation basis. In the absence of market rate/quotations, competitiveness of market rate and justification of award could not be vouched safe. Further, the option of re-tendering was not considered because of urgency to complete the project before the Common Wealth Games and to have reliable source of power; however, both the purposes were defeated.

The Management stated (August 2010) that PPCL had given wide publicity and extension to submit bid document, however, parties, did not come forward knowing that project is linked with ensuing CWG and may not cope with the commitment.

During the exit conference, management explained that BHEL being the expert PSU in turbine engineering is overbooked, however, efforts will be made to enforce the terms on BHEL.

### 5.2.13 Input Efficiency

#### *Procedure for procurement of coal*

The CEA fixes power generation targets for thermal power stations (TPS) considering capacity of plant, average plant load factor and past performance. RTPS works out coal requirement on the basis of targets so fixed and past coal consumption trends. The coal requirement so assessed was conveyed to the Standing Linkage Committee (SLC) of the Ministry of Energy (MOE), Government of India, which decides the source and quantity of coal supply to RTPS on quarterly basis. During the review period, the RTPS was in receipt of E category of Washed Coal. The average calorific value of coal stipulated by the DERC was 3808 KCal in 2006-07 to 2009-10. The coal actually received at the station was of less calorific value and in the range of 3668 KCal to 3807 KCal in the years 2006-07 to 2009-10, for which neither any claim was lodged nor was there any arrangement for joint sampling of the coal received at the power station end.

The position of coal linkage fixed, coal received, generation targets prescribed and actual generation achieved during the period from 2005-06 to 2009-10 was as below:

Sl. No	Particular	2005-06	2006-07	2007-08	2008-09	2009-10	Total
1	Coal Linkage Fixed (MT)	750000	925000	870000	765000	800000 <sup>3</sup>	4110000
2	Quantity of Coal Received (MT)	503266	606013	705111	801201	572438	3188029
3	Generation targets (MUs)	870	800	900	828	915	4313
4	Actual Generation achieved (MUs)	574	635	898	877	645	3629
5	Shortfall in generation targets (MUs)	296	165	2	(-) 49	270	684

It would be seen from the above that the total linkage of coal during the five years fixed by the SLC was 41.10 lakh MT. Against this only 31.88 lakh MT

<sup>3</sup> Annual Contract Quantity as per Fuel Supply Agreement, as system of fixing coal linkage by SLC was discontinued from this year.

of coal was received, resulting in short receipt of 9.22 lakh MT (22.43 per cent) of coal. The short fall in generation targets ranged between 2 MUs to 296 MUs during these years. Further RTPS entered into an agreement with M/s. Northern Coal Fields Limited (NCL) on 17 July 2009 effective from 1 April 2009 in view of the fact that Ministry of Coal, GOI notified new coal distribution policy on 18 October 2007 mandating a switch over from the linkage regime of coal distribution to firm supply agreements between Coal India Limited's subsidiaries and their respective consumers. As per agreement with NCL, the annual contracted quantity of coal to be procured by RTPS was 8 lakh MT per annum. The RTPS, however, procured only 5.72 lakh MT of coal in 2009-10 leaving a deficit of 2.28 lakh MT. Being the first year of contract, the coal company intimated that frequent suspension of supply of coal from power station's end will be treated as deemed delivery quantity as per the clauses of firm supply agreement.

The management stated (August 2010) that shortfall in generation targets had all through been on account of other reasons than shortage of coal. The other reasons included shutdown of machines for modification work for 75 days, shutdown of coal handling plant for 37 days etc. The coal supply company have raised a bill of ₹ 43 lakh for deemed quantity which is being taken up with the coal company for relaxation.

### **Excess consumption of fuel**

Excess consumption of coal and gas than DERC norms, resulted in excess consumption of fuel of ₹ 107.67 crore during 2005-10

Tariff for electricity generated by the power stations fixed by the DERC from the year 2005-06 to 2009-10 is based on heat required to produce one unit of electricity generated from coal/gas. Consumption of coal and gas are thus to be regulated according to the norms fixed by the DERC. Our scrutiny revealed that GTPS and RTPS consumed excess gas and coal respectively than norms prescribed by DERC. In respect of GTPS, consumption of gas ranged between 0.268 to 0.304 scm/kwh during these years against the norms of 0.264 scm/kwh gas. Similarly, it ranged from 0.797 to 0.979 kg/kwh against the norm of 0.826 kg/kwh in 2005-06 and 0.840 kg/kwh in other years in respect of RTPS. This has resulted in excess consumption of fuel (coal and gas) to the tune of ₹ 107.67 crore in these two power stations as depicted in **Appendix 5.13**. The excess consumption of fuel was attributable to low plant load factor and operational deficiencies like low vacuum, high exhaust temperature, frequent jerks and steam leakage. The GTPS attributed non availability of gas and technical reasons of high frequency and evacuation as the reasons of running the machinery on partial load which resulted in excess consumption. However, it may be mentioned that DERC has clearly given in their order that the poor performance of the plant due to technical problems or gas restrictions were to be mitigated by the company and shall not be passed on to the consumers. Besides, other reasons for excess consumption of coal at RTPS noticed were low calorific value of coal, transit and moisture losses.

In case of RTPS, the management attributed (August 2010) excess consumption of heat/ coal to the fact that RTPS is an old plant and the desired consumption as per DERC norms was not achieved due to practical deterioration of the equipment efficiency. However, the DERC, while fixing the norms of consumption of fuel had taken into consideration the age and working of the power station.

Further it is important to highlight that the gas based power station of PPCL achieved the desired heat rate in all these years with the result that consumption of fuel was within norms during these years.

Apart from the above, there was a loss of ₹ 20.56 crore due to excess consumption of fuel and other items as discussed below:

RTPS in its Multi Year Tariff (MYT) Order (FY 08-11) estimated three per cent loss in quantity of purchased coal due to extra surface moisture present in the washed coal and 0.8 per cent loss of coal during transit. However, the DERC allowed 0.8 per cent only as the overall coal losses citing example of NTPC, Dadri Thermal Plant which was also running on 100 per cent washed coal being allowed only 0.8 per cent loss of coal by CERC.

The table below indicated coal consumed, actual coal lost, coal loss allowed as per norms of DERC and the resultant loss on this account:

Sl. No	Particular	2005-06	2006-07	2007-08	2008-09	2009-10
1	Coal consumed during the year (MT)	501322 <sup>4</sup>	524781	715582	760265	558842
2	Actual coal lost (MT)	9966	13602	13089	13600	12246
3	Percentage of actual coal lost to coal consumed (2/1*100)	2.72	2.59	1.83	1.79	2.19
4	Coal loss as per norms (MT) (1*0.8 per cent)	2934	4198	5725	6082	4471
5	Excess coal lost (MT) (2-4)	7032	9404	7364	7518	7775
6	Average rate of coal	1929	1889.38	1889.38	1889.38	1889.38
7	<b>Total loss due to coal lost in excess (Rupees in crore)</b>	<b>1.36</b>	<b>1.78</b>	<b>1.39</b>	<b>1.42</b>	<b>1.47</b>

Coal loss in excess of DERC norms led to loss of ₹ 7.42 crore during 2005-10

It may be seen that percentage of actual coal lost to coal consumed reduced from 2.72 per cent in 2005-06 to 1.79 per cent in 2008-09, however, it again increased to 2.19 per cent in 2009-10. Since coal loss beyond the norms was not allowed by DERC, the power station had to incur a loss of ₹ 7.42 crore on account of coal loss of 39093 MT during the review period.

<sup>4</sup>Pro-rata consumption of 366720 MT from the period 19 July 2005 to 31 March 2006 was taken for calculating coal lost by the company.

RTPS management stated (August 2010) that RTPS was having 1989 model of coal mills with conventional grinding rolls while NTPC Dadri has advance design of coal mills and RTPS petition for three per cent coal loss which included surface moisture has not been considered. DERC while noting the reasons for the coal transit loss directed the power station to improve its coal stock management and monitor the transit losses regularly to reduce the same.

Light Diesel Oil (LDO) and Low Sulphur Heavy Stock (LSHS) are two types of secondary oils used in the RTPS. Secondary oils are used for initial firing of the boiler and for stabilizing flames during restart after interruption of flow. It was observed that the actual consumption of LSHS was higher than the DERC norms in the year 2005-06 and 2006-07 and consumption of LDO was higher in the year 2005-06, 2006-07 and 2009-10 resulting in excess consumption of 1851.01 MTs of LSHS and 751.11 MTs of LDO aggregating to ₹ 5.27 crore (**Appendix 5.13**). The excess consumption was attributable to the frequent tripping which in turn resulted in higher frequency of light up of units for synchronization. We observed that the generating units faced 110 numbers of trippings involving 1090.05 hours in 2005-06, 2006-07 and 2009-10, mainly on account of flame failure, high furnace pressure, boiler tube leakage etc. The causes of frequent tripping were avoidable by adhering to proper and timely repairs and maintenance of the plant.

The management stated (August 2010) that major reason of higher oil consumption had been forced outages and at around 70 per cent of load the flame is unstable and needs oil support. However, the excessive outages could have been reduced by adhering to preventive maintenance schedule.

A thermal power station uses steam to drive the turbine for generation of electricity and De-mineralized (DM) water is used to produce steam. The designed capacity of boilers of the plants of RTPS and GTPS required 275 tonne and 375 tonne flow of DM water respectively that would be cooled and recycled again and again. The normal loss of water in the process was two per cent in RTPS and four per cent in GTPS. During the five years ending 31 March 2010, the consumption of DM water in excess of norm was worked out to 11.07 lakh MT valued at ₹ 7.87 crore.

In respect of GTPS, the management accepted (August 2010) that there was excess consumption of De-mineralised water due to frequent leakage in Heat Recovery Steam Generators (HRSGS) and consumption would be minimized after replacement of leak tubes in all the six HRSGS.

RTPS management stated (August 2010) that although the power station have taken limit of two *per cent* as benchmark from NTPC norms but their boilers are designed for five *per cent* make up.

**Loss of generation due to inadequate supply of gas**

IPGCL and PPCL have entered into a contract with Gas Authority of India (GAIL) to receive and purchase natural gas as the fuel for running of gas based power stations. Our scrutiny revealed that due to short supply of gas by GAIL, both the power stations suffered generation losses of 954.51 MUs<sup>5</sup> valuing ₹ 114.50 crore as discussed below:

Due to inadequate supply of gas, GTPS and PPCL suffered generation loss of 262.57 MUs and 691.94 MUs respectively during 2005-10

The GTPS with six gas turbines was commissioned in 1986. The daily requirement of gas for operating all the six turbines was assessed at 1.44 million metric standard cubic meters (mmscm) per day. In January 2004, IPGCL was allocated 0.6 mmscm of Re-liquified Natural Gas (R-LNG) and accordingly entered into contract with GAIL. In April 2005, gas supply to GTPS was reduced from 0.84 mmscm allotted in March 2000 to 0.74 mmscm, with the result availability of gas to the company was 1.34 mmscm (0.74 plus 0.60 mmscm) against the assessed requirement of 1.44 mmscm. Even, this quantity of gas supply was further cut on a day to day basis in the range of 15 to 20 *per cent*. Thus, due to inadequate supply of gas, GTPS suffered loss of generation of 262.57 MUs valued at ₹ 42.37 crore during review period.

PPCL entered (April 2001) into a contract with GAIL to purchase natural gas as the fuel for running of Pragati Power Station. The period of contract was from 27 December 2001 to 31 March 2011. As per Article-5 of the contract, the seller agreed to sell the gas as per the requirement of buyer subject to a maximum of 1.75 mmscm per day. The quantity of 1.75 mmscm was reduced to 1.50 mmscm in April 2005. To meet the deficiency accordingly, the PPCL further entered into gas supply agreement with GAIL for procurement of natural gas of 0.28 mmscm and R-LNG at 0.20 mmscm in September 2008 and May 2009 respectively. However, gas supply was further subject to cuts of 15 to 20 per cent on daily basis. This resulted in loss of generation of 691.94 MUs valued at ₹ 72.13 crore during the review period.

The management of GTPS stated (August 2010) that constant efforts were made to get adequate supply of gas and in this regard agreement was also made to purchase gas on spot basis for short duration in 2006, 2007 and 2009. It was further stated that GAIL has made the agreement to supply gas according to their own terms.

The management of PPCL in its reply (August 2010) stated that they have taken up the matter with GAIL/Ministry of Petroleum & Natural Gas for maintaining the supply of allocated gas, to which GAIL informed that availability of gas at Hazira for sale by GAIL to consumers was less resulting in restrictions of gas supply.

<sup>5</sup>GTPS and PPCL suffered a generation loss of 262.571 MUs and 691.938 MUs respectively.



***Inequitable agreement clause with GAIL***

As per the terms of agreement with GAIL for gas supply, both PPCL and IPGCL had to pay for actual quantity of gas supplied subject to a minimum agreed quantity {known as minimum guarantee off-take (MGO)}. However, we observed that there was no reciprocal clause for payment of any penalty by GAIL in the event of its failure to supply gas as committed in the agreement. Scrutiny of records revealed that an amount of ₹ 25.08 crore remained outstanding for the years 2004-05 and 2005-06, claimed by GAIL on account of MGO in respect of GTPS of IPGCL. In respect of PPCL, GAIL claimed an amount of ₹ 3.43 crore towards MGO charges applicable from January 2003 onwards (after commissioning of the plant) and an amount of ₹ 9.24 crore as regards the period prior to January 2003. As such, PPCL became liable to pay an amount of ₹ 12.67 crore to GAIL towards MGO charges. However, no penalty for short supply of gas could be levied on GAIL. Hence, the Companies had failed to safeguard their interest by not insisting on incorporating a penalty clause for the same and would continue to incur such liability until such inequitable clauses in the agreement are not changed.

The management of GTPS stated (August 2010) that there could have been possibility of incorporating a penalty clause if supplier would have been a private party. However, audit view would be considered in future contracts with GAIL. The management of PPCL replied (August 2010) that during the first year of the commissioning of plant, the monthly requirement of gas was required to be sent in advance by a month. The turbine faced certain problems during pre-commissioning/ post-commissioning which were of a sudden nature and these problems could not be predicted in advance.

However, we are of the opinion that as IPGCL and PPCL are also PSUs like GAIL and as the MGO clause was included in GAIL's interest, a corresponding clause in the former's interest could also have been included.

**5.2.14 Manpower Management**

Consequent upon the unbundling of erstwhile Delhi Vidyut Board (30 June 2002) and with IPGCL coming into existence (July 2002), the State Government decided (October 2002) that the staff strength available in the power stations on the date would be taken as their respective sanctioned strengths. IPGCL requested (May 2004) CEA to assess its staff requirement. The CEA in its report (July 2005) recommended 2 persons per mega watt of the installed capacity for IPGCL. The position of actual manpower, sanctioned strength & manpower

as per CEA recommendation is given below:

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Sanctioned strength	2516	2529	2421	2410	2083
2	Manpower as per the CEA recommendations	1330	1330	1330	1330	1330
3	Actual manpower	2124	2006	1838	1800	1323
4	Expenditure on employees remuneration & benefits (₹ in crore)	47.81	47.57	63.84	83.40	75.45
5	Extra expenditure with reference to CEA norms (₹ in crore) [(4/3) x (3-2)]	17.87	16.03	17.64	21.78	-

Above table shows that actual manpower was more than the norms of CEA during the period from 2005-06 to 2008-09. This resulted in extra expenditure of ₹ 73.32 crore. It was observed that despite having excessive manpower, the generating stations were regularly employing temporary/contract staff for regular jobs such as housekeeping, cleaning of coal handling plant, cleaning of condenser etc. Besides, overtime was regularly being paid to the regular staff. The overtime wages paid by generating stations of IPGCL during the period of review worked out to ₹ 17.89 crore. No action was taken to rationalise its staff strength or explore ways to utilise them optimally. Further with the closure of IP Station in December 2009, no concrete decision has been taken by the management to relocate the staff. In PPCL, the number of employees ranged from 63 to 123 during the review period and were less than the norms of CEA.

The management stated (August 2010) that the company has inherited the manpower from DVB. The plants being operated by IPGCL are of old design requiring higher manpower and CEA in the report allowed 3 to 4 years to achieve the norms of two persons per mega watts. The management also justified the payment of overtime because the employees are required to work beyond office hours. Further, the management stated that Company is in the process of redeploying the excess manpower including surplus due to closure of I.P Station in December 2009 in the new plant of 1500 MW being executed at Bawana.

However, it may be mentioned here that when the Company was having excess manpower, the payment of overtime could have been avoided with better deployment of available manpower in shifts.

### 5.2.15 Output Efficiency

The operational performance on various parameters to evaluate the performance of power stations of IPGCL and PPCL in terms of output efficiency are discussed below:

#### Shortfall in generation

The targets for generation of power for each year are fixed by the Central Electricity Authority (CEA). It was observed that the State was able to generate a total of 26990.95 MUs of power during 2005-06 to 2009-2010 against a target of 28509 MUs. This resulted in a net shortfall of 1518.05 MUs<sup>6</sup> as shown in the following table:

(In Million Units)

Year	Target	Actual	Shortfall
2005-06	5920	5606.29	313.71
2006-07	5700	5254.07	445.93
2007-08	5750	5572.36	177.64
2008-09	5778	5513.72	264.28
2009-10	5361	5044.51	316.49
<b>Total</b>	<b>28509</b>	<b>26990.95</b>	<b>1518.05</b>

Detailed analysis of shortfall in power stations selected for review revealed that RTPS failed to achieve the targets fixed by CEA during 2005-06, 2006-07 and 2009-10 and deficit was 33.98, 20.64 and 29.49 *per cent* in these years respectively. GTPS failed to achieve the targets in all the years under review except 2005-06 and deficit ranged from 5.85 *per cent* to 19.98 *per cent*. Failure to achieve the generation targets resulted in shortfall of 755.25 MUs and 683.79 MUs valuing ₹ 128.48 crore and ₹ 124.11 crore at GTPS and RTPS of IPGCL respectively during these years.

Further we observed that PPCL failed to achieve the targets during the year 2005-06 to 2007-08, which resulted in loss of 329.53 MUs valuing ₹ 33.89 crore. The deficit in generation increased from 4.20 *per cent* in 2005-06 to 7.97 *per cent* in 2006-07, then, declined to 1.39 *per cent* in 2007-08 and thereafter actual generation exceeded the target during 2008-09 and 2009-10.

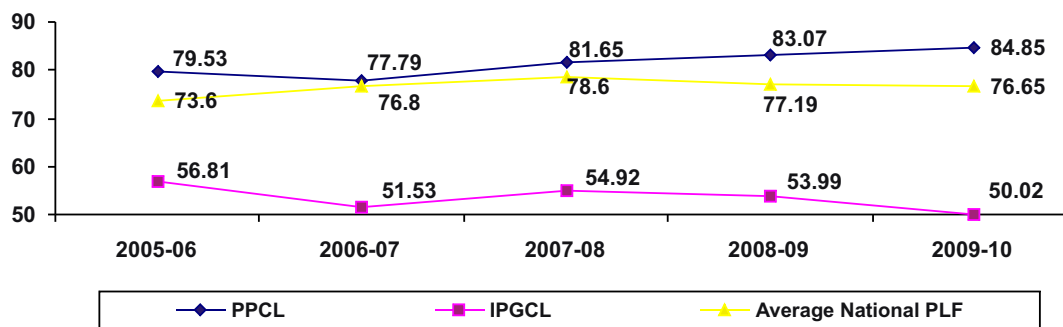
#### Low Plant Load Factor (PLF)

PLF of IPGCL remained less than average national PLF during 2005-10

Plant load factor (PLF) refers to the ratio between the actual generation and the maximum possible generation at installed capacity. The Line-graph

<sup>6</sup>Net shortfall of all the three power stations of IPGCL (including surplus of 196.25 MUs of IP station which was not covered for detailed audit-scrutiny being closed down in December 2009) and one station of PPCL.

Depicting the PLF achieved by IPGCL (RTPS and GTPS) and PPCL is given below:



The details of average realization vis-à-vis average cost per unit, PLF achieved, PLF at which average cost would be recovered and the difference of PLF in *per cent* in respect of IPGCL are given in the following table:

Sl. No.	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1	Average Realisation (Paise per Unit)	224	267	277	338	362
2	Average Cost (Paise per Unit)	244	279	292	326	338
3	Actual PLF ( <i>Per cent</i> )	56.81	51.53	54.92	53.99	50.02
4	Average National PLF	73.6	76.8	78.6	77.19	76.65
5	PLF at which average cost stands recovered ( <i>Per cent</i> ) (2/1 * 3)	61.88	53.85	57.89	52.07	46.70
6	Difference ( <i>Per cent</i> ) (5 – 3)	5.07	2.32	2.97	(1.92)	(3.32)
7	Actual Generation (MUs)	3307.18	2999.45	3205.63	3112.39	2591.57
8	Generation as per National PLF (MUs) (7*4/3)	4284.61	4470.36	4587.81	4449.81	3971.29
9	Generation loss as compared to National PLF (MUs) (8-7)	977.43	1470.91	1382.18	1337.42	1379.72

It could be seen from the above table that the estimated shortfall in generation works out to 6547.66 MUs on the basis of the national average during 2005-06 to 2009-10.

Our scrutiny further revealed that RTPS operated below the targets of PLF fixed by DERC in 2005-06, 2006-07 and 2009-10. Against the DERC target of 73.65, 67.60 and 70 *per cent* PLF, RTPS could achieve the PLF of only

48.57, 53.69 and 54.55 *per cent* only in respective years. Similarly, GTPS operated below the target PLF during the review period except in 2005-06. In this case, against the target PLF of 70 *per cent* fixed by DERC for all the years under review, the actual PLF of GTPS ranged from 51.69 to 63.32 *per cent* during 2006-10 as detailed in *Appendix 5.11*.

It was observed from the records that the major reasons for the low PLF by RTPS and GTPS, were low plant availability, poor capacity utilization due to running on partial load, major shut downs and delays in repairs and maintenance.

The management stated (August 2010) that shortfall in generation and low PLF were due to various technical reasons viz. boiler tube leakage, high frequency, evacuation constraints, frequent tripping resulting in forced breakdown and non availability of sufficient gas. It was also stated that the reasons were beyond their control.

However, the norms of operation and targets fixed for PLF were after taking into consideration the current state of each plant. The DERC clearly spelt out in their order that poor performance due to technical problems and gas supply constraints were to be managed by the Company and could not be passed on to the consumer except in *force majeure* events.

Further it is important to highlight that the power station of PPCL achieved the desired PLF in all these years.

#### ***Low plant availability***

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Plant availability means the ratio of actual hours operated to maximum possible hours available during a certain period. As against the CERC norm of 80 *per cent* plant availability during 2004-2009 and 85 *per cent* during 2010-2014, the average plant availability of power stations in the State sector reduced from 85.19 *per cent* in 2005-06 to 74.03 *per cent* in 2009-10.

The details of total hours available, total hours operated, planned outages,

forced outages and overall plant availability in respect of the State as a whole are shown below:

Sl. No.	Particulars	2005-06	2006-07	2007-08 <sup>7</sup>	2008-09	2009-10
1.	Total hours available	157680	157680	158112	157680	157680
2.	Operated hours	134329	119304	116343	121400	116726
3.	Planned outages (in hours)	10193	10252	6312	3973	9805
4.	Forced outages (in hours)	9977	19186	24720	18437	17172
5.	System backdown by others <sup>8</sup>	3181	8938	10737	13870	13977
6.	Plant availability ( <i>per cent</i> )	85.19	75.66	73.58	76.99	74.03
7.	Prescribed availability(CERC)	80	80	80	80	85
8.	Plant availability at National Level	81.78	83.72	84.76	85.05	N A

Audit scrutiny revealed that plant availability at state level has reduced in all these years and company failed to achieve the desired plant availability fixed by CERC in all these years, whereas the plant availability at national level has increased in all these years. The reasons for low availability were excessive forced outages and poor maintenance. Low availability of plant was one of the reasons for non achievement of generation targets.

The management stated (August 2010) that machines were not available due to forced outages on account of technical reasons which were beyond their control. However, excessive outages could have been reduced by taking timely preventive measures, adhering to prescribed maintenance schedule, ensuring timely availability of spares & their replacement which was lacking during the review period as discussed in subsequent paragraphs.

In respect of PPCL, the plant availability factor was higher than the desired level in all these years (*Appendix 5.12*).

### **Low Capacity Utilization**

Capacity utilization means the ratio of actual generation to possible generation during actual hours of operation. The capacity utilisation of RTPS and GTPS

<sup>7</sup>Because of leap year, there were 432 hours extra available in that year.

<sup>8</sup>Hours for which machines were not run due to non availability of gas and as per State Load Dispatch Centre (SLDC).

vis-à-vis capacity utilisation as per DERC and at the national level is depicted in the table below:

**(in per cent)**

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	RTPS (as per DERC norms)	92.06	84.50	87.50	87.50	82.35
2	RTPS (Actual)	64.30	88.10	87.70	79.99	74.01
3	GTPS (as per DERC norms)	87.50	87.50	87.50	87.50	82.35
4	GTPS (Actual)	79.71	76.73	80.47	75.33	75.92
5	National level Capacity Utilisation	90.00	91.73	92.73	90.76	90.12

From the above, it may be seen that capacities remained unutilized in RTPS and operated below the capacity utilization fixed by DERC during the year 2005-06, 2008-09 and 2009-10. The shortfall ranged between 7.51 to 27.76 per cent during these years. In respect of GTPS, the plant operated below capacity utilization fixed by DERC in all these years and capacity unutilized ranged between 6.43 to 12.17 per cent during these years. It may also be seen that at both power stations, the capacity utilization remained below the national level capacity utilization in all these years. Further, detailed analysis revealed that the percentage of actual generation to possible generation with respect to hours (turbines) actually operated during 2005-06 to 2009-10 ranged between 64.30 to 88.10 per cent and 75.33 to 80.47 per cent at RTPS and GTPS respectively. This also resulted in shortfall in generation of 976.47 MUs valuing ₹ 179.68 crore and 2013.10 MUs valuing ₹ 330.35 crore at RTPS and GTPS respectively. In respect of PPCL, there was shortfall of generation to the tune of 1578.21 MUs to possible generation valuing ₹ 156.48 crore (**Appendix 5.12**) with regard to hours plant operated. Scrutiny revealed that shortfall with reference to possible generation occurred due to operation of plant under partial load<sup>9</sup> and constraints on transmission capacity.

The management accepted (August 2010) that shortfall in generation was due to running the plants on partial load and added that this may be due to various technical reasons viz. boiler tube leakage, non availability of spares, non availability of gas, evacuation constraints, high frequency etc. which were beyond their control. However, these problems could have been minimized with proper & timely maintenance of machines, arranging sufficient gas and by strengthening the transmission network which was not done during the review period resulting in loss of potential generation.

<sup>9</sup>Running of machine below the rated capacity.

***Loss due to evacuation constraints***

For the purpose of proper and optimum evacuation of generation from power plants, there is a need to have proper and strong network (required capacity transformer etc) at plants to evacuate power, otherwise the system would back down.

Our scrutiny revealed that GTPS and RTPS lost potential generation of 50.08 MUs and 3.83 MUs valued at ₹ 7.91 crore and ₹ 0.72 crore respectively during the review period due to evacuation constraints at both the plants implying that generating units were run on low load i.e., capacity was not optimally utilized. Further it was observed that as per DERC orders, two transformers of higher capacity (160 KVs) were required to be installed by 2007 at GTPS, however, only one transformer could be installed. Thus there was a need to upgrade the transmission network at plants to avoid such losses.

The management of GTPS stated (August 2010) that augmentation of second transformer was deferred by Delhi Transco Limited and after a lot of pursuance the work started in February 2010 and completed in September 2010. Further, one more 66 KV outgoing feeder has been connected to GTPS and would start taking load soon. So with above energisation, there would not be back down at GTPS.

The management of RTPS stated (August 2010) that loss of generation due to evacuation constraint was 41.42 MUs instead of 3.83 MUs. As a matter of fact 41.42 MUs was deemed back down generation due to transmission constraints which also included the period of grid failures/disturbances/trips external to RTPS, while we pointed out generation loss due to non evacuation of power from the yard of the power station.

**5.2.16 Outages**

Outages refer to the period for which the plant remained closed for attending to planned/forced maintenance. The position of the total available hours, hours operated, planned and forced outages in respect of RTPS and GTPS of IPGCL is given in the **Appendix 5.14**. The observations in this regard are discussed below:

***Rajghat Thermal Power Station***

During the review period, the planned outages increased from 3301 hours in 2005-06 to 4698 hours in 2006-07 and thereafter decreased to 355 hours in 2008-09 and again increased to 2176 hours in 2009-10. On the other hand, the forced outages increased from 986 hours in 2005-06 to 2431 hours in 2009-10 implying deficient preventive maintenance. Further, detailed analysis revealed



that the forced outages in Unit 1 of RTPS were in excess of 10 *per cent* of the available hours as prescribed by CEA by 971 hours during the years 2006-07 and 2007-08 resulting in loss of generation of 65.54 MUs valued at ₹ 12.57 crore and in Unit 2 during 2009-10 by 751 hours resulting in loss of generation of 50.69 MUs valued at ₹ 9.72 crore.

Higher forced outages than the prescribed norms were mainly due to boiler tube leakage for 1818.35 hours (lack of proper maintenance led to corrosion of tubes inlets, outlets and water wall tubes), tripping due to various reasons for 1555.45 hours, leakage of cooling line of CW pump for 549.15 hours, condenser tube leakage for 440.05 hours, heavy jerks in the system for 1543.40 hours, drum level very low/high for 394.50 hours and various tube leakages for 225 hours. It was also observed that the forced outages occurred repeatedly. The repetitions of the outages over the years indicate that these were not attended to properly during the planned maintenance.

Further, it was observed that during 2006-07, unit 2 tripped on 22 December 2006 due to failure of turbine blade. The repair works were undertaken and the unit was synchronized on 19 April 2007 after a gap of about four months. Scrutiny of records revealed that this period was taken into the records as planned outages. The loss of generation due to forced outages later on converted into planned outages was 191.23 MUs valued at ₹ 36.68 crore.

The management in its reply (August 2010) while accepting the audit contention attributed the forced outages to the genuine problem of high vibrations and frequent axial shift which necessitated the turbine overhauling/repairs from time to time.

### **Gas Turbine Power Station**

The total number of hours lost due to planned outages decreased from 2964 hours in 2005-06 to 986 hours in 2009-10, i.e., from 3.76 *per cent* to 1.25 *per cent* of the total available hours in the respective years. The forced outages in the power station, however, increased from 3213 hours in 2005-06 to 16316 hours in 2007-08 and decreased to 6965 hours in 2009-10, i.e., increased from 4.08 *per cent* to 20.64 *per cent* and improved to 8.83 *per cent* in 2009-10 of the total available hours in the respective years. This shows that repair and maintenance was not attended to in a planned and timely manner with the result that forced outages increased during these years. Compliance of the CEA norms of 10 *per cent* in various Units of the Station would have entailed availability of plant for an additional 25670 operational hours with consequent

generation of 855.65 MUs valuing ₹ 140.79 crore during the period covered under review:

Our scrutiny revealed that the main reasons for forced outages was tripping due to low vacuum (376 hours), high exhaust temperature (541 hours), loss of flame (874 hours), leakages (2712 hours), frequent heavy jerks and vibrations (1130 hours), etc. which could have been avoided by taking timely preventive measures, adhering to the prescribed maintenance schedules and timely repair and replacement of equipments which are discussed in succeeding paragraphs.

The Management stated that outages occurred due to technical reasons which were beyond their control.

#### **Auxiliary consumption of power**

Auxiliary consumption in RTPS and GTPS was more than DERC norms resulting in excess consumption of 88.30 MUs

Energy consumed by power stations themselves for running their equipment and common services is called Auxiliary Consumption. DERC fixed the norms as 11.28 per cent for RTPS and 3 per cent for GTPS. The actual auxiliary consumption of the power stations was in excess of the norms resulting in excess consumption of 88.30 MUs valuing ₹ 16.31 crore. The auxiliary consumption in excess of norms was attributable to excessive forced shutdowns as auxiliaries continue to run and consume power even though the unit is shutdown.

The management of GTPS stated (August 2010) that there was high auxiliaries consumption on account of various technical reasons viz. tripping, high frequency, grid disturbances, low load during summer season and non availability of sufficient gas due to which plants run on partial load and these reasons were beyond their control.

However, the DERC put onus on the company to take remedial action to regulate excess wastage, but the Company did not take sufficient steps to reduce the auxiliary consumption. Further during 2009-10, there was no generation loss due to non availability of gas; however, the auxiliary consumption was maximum during this year. On the other hand, the management of RTPS has accepted the audit observation.

#### **5.2.17 Energy Audit**

In compliance of Energy Conservation Act 2001, energy audit was taken up (2006-07) at RTPS and GTPS at a cost of ₹ 3 lakh and ₹ 7 lakh respectively to assess present performance and energy cost reduction study. Some of the major recommendations in the energy audit reports were installing new impeller/pump of reduced size in Condensate extraction pump and Boiler feed pumps, installing Automatic Temperature Controller in cooling tower and

installation of new energy efficient Forced Draft (FD) fans along with Variable Frequency Drive (VFD), installation of VFD for Induced Draft (ID) fans and reduction of un-burnts in bottom ash at GTPS and RTPS respectively. For implementation of the recommendations at RTPS and GTPS an investment of about ₹ 8.74 crore and ₹ 12 lakh were estimated. From this, annual financial returns of about ₹ 6.10 crore and ₹ 41.87 lakh were expected to be earned within a payback period of 1.43 years and 3.5 months respectively. However, the company was yet to chalk out any plan to implement the recommendation even after a lapse of three years.

The management of GTPS stated (August 2010) that some of the recommendations were in the process of implementation and for the remaining technical feasibility was being studied. However, considering the recurring benefit of saving of energy loss, these recommendations should have been implemented urgently.

The management of RTPS in its reply (August 2010) stated that the majority of measures identified in energy audit require major equipment replacement changing the basic engineering and the required investment may be more than ₹ 8.74 crore. It further stated that some of the energy saving actions have been implemented at the time of recent overhauling and many schemes are planned during 2010-2011.

### **5.2.18 Repairs & Maintenance**

To ensure long term sustainable levels of performance, it is important to adhere to periodic maintenance schedules. The efficiency and availability of equipment is dependent on the strict adherence to annual maintenance and equipment overhauling schedules. Non adherence to schedule carries a risk of the equipment consuming more coal, fuel oil and increases risk of forced outages which necessitate undertaking of R&M works. These factors lead to increase in the cost of power generation due to reduced availability of equipment which would adversely affect the total power generated.

A few significant instances, in GTPS/RTPS and Pragati Power Station of IPGCL and PPCL respectively covered under the review where proper maintenance schedules were not adhered, extra time was taken in job works awarded for overhauling and routine repair works and non availability of spares etc which resulted in loss of generation to the tune of 734.10 MUs valuing ₹ 106.91 crore are detailed in *Appendix 5.15*.

During exit conference, the management intimated that generally maintenance schedules are followed in gas-based stations. Moreover, BHEL is normally overbooked and this fact has to be taken into account while going for maintenance/overhauling. Regarding re-commissioning of machines due to

forced outages, plant management coordinate with BHEL to rectify defects and to arrange spares at the earliest.

***Post Repair and Maintenance Performance Evaluation***

Two units of 67.5 MW each were commissioned in the year 1989-90 by M/s BHEL at RTPS. Both the units are having generic vibration and high axial shift problem. Generally full load of units could be achieved for about six months after every overhaul and thereafter the vibrations started increasing again forcing reduction of the load. All through the period since commissioning, the turbine overhauling was done by BHEL but the problem could not be fixed so far.

The matter was brought to the knowledge of BHEL's team that normal span for turbine overhauling should be 2-3 years but due to recurring vibration problem, emergency repairs were carried out and the plant was constrained to operate the machines on lower load indicating that the job carried out by BHEL was not upto the mark. BHEL suggested to go in for initial fresh overhauling of each unit and examination of the condenser as well as alignment of the turbine. Therefore a job order for overhauling of unit Nos 1 and 2 of RTPS was placed (16 March 2005) on M/s BHEL at a total negotiated cost of ₹ 2.29 crore. However, the same was amended in October 2005 for carrying out the further necessary works by increasing the scope at the negotiated computed cost of ₹ 5.96 crore for both the units. No study was undertaken by RTPS in 2005 to locate and address the frequent vibration problem, thus resulting in amendment of the job order dated 16 March 2005 from ₹ 2.29 crore to ₹ 5.96 crore in October 2005 at the instance of BHEL.

The next overhauling of units 1 and 2 were scheduled in November 2008 and April 2009 respectively. The overhauling of the Unit 2 was taken up first from 17 September 2009 for stipulated 45 days but the job was completed on 28 November 2009 after a delay of 28 days. The machine was synchronized on 30 November 2009. Even after overhauling, the unit 2 had to be shut down due to boiler tube leakage from 14 December 2009 to 22 December 2009 and again shut down from 2 January 2010 to 28 February 2010 due to very high vibration problem resulting in generation loss of 104.75 MUs valued at ₹ 20.11 crore.

Thus, it would be seen that while awarding the work of overhauling in 2005 to BHEL, the poor overhauling job done by BHEL in the past was not kept in mind wherein the vibration problems started after five months and the machines were forcibly kept on lower load. Even a warranty clause to enable the Power Station to be compensated for any loss of generation during warranty period was not included in the job order specifically in view of the

fact that improved working in November 2003 lasted for not more than five months.

Further, the Kukde Committee in its report had also suggested (September 2000) that final report of overhaul with recommendations for next overhaul must be prepared within two months of completion of overhauling. It was, however, observed that the reports were prepared without recommendations for next overhaul and in the absence of recommendations the Power Station could not identify major deficient areas for improvement which resulted in frequent forced outages.

Also the policy of getting the overhauling work done by M/s BHEL (OEM) on single tender basis needs to be reviewed in view of the fact that jobs done by BHEL since installation failed in addressing the vibration problems and measures suggested by them to overcome the problem have not yielded the desired results.

The management stated in reply (August 2010) that both the units at RTPS are having generic problem of vibration since commissioning and in spite of repeated reference to OEM, design problem could not be addressed. It also stated that annual overhauling exercise was clubbed with the available opportunity alongwith exercise to resolve the vibration problem of turbine. In the recent overhauling, BHEL agreed to give three months warranty period but that does not cover generation loss. The management also intimated that policy of getting the overhauling work done by BHEL on single tender basis was for boiler overhauling only.

### **5.2.19 Financial Management**

Efficient fund management serves as a tool for optimum utilisation of available resources and borrowings at favorable terms at appropriate time. The main sources of funds were realisations from sale of power, subsidy from State/Central Governments, loans from State Government/Banks/Financial Institutions etc. These funds were mainly utilised to meet payment of fuel bills, debt servicing, employee and administrative costs, and system improvement works of capital and revenue nature.

The details of cash inflow and outflow of IPGCL and PPCL for the years

2005-06 to 2009-10 are given below:

**IPGCL**

(₹ in lakh)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Cash Inflow</b>						
1	Net Profit/(Loss)	-4926.99	-2973.43	-1595.27	5912.48	10467.24
2	Add: Adjustments	5448.91	8732.09	7177.11	6125.89	1202.32
3	Operating Activities	1769.48	1381.52	8423.04	563.28	4341.8
4	Investing Activities	51.95	239.57	2258.22	3206.54	6002.96
5	Financing Activities	8210.00	20310.44	36208.74	0	0
	<b>Total</b>	<b>10553.35</b>	<b>27690.19</b>	<b>52471.84</b>	<b>15808.19</b>	<b>22014.32</b>
<b>Cash Outflow</b>						
6	Operating Activities	3544.52	5693.03	4064.32	7512.79	4045.25
7	Investing Activities	2373.20	2874.05	27219.14	2573.51	11215.66
8	Financing Activities	2565.22	5133.98	5695.68	6107.52	14054.96
	<b>Total</b>	<b>8482.94</b>	<b>13701.06</b>	<b>36979.14</b>	<b>16193.82</b>	<b>29315.87</b>
	<b>Net Increase/(decrease) in cash and cash equivalent</b>	<b>2070.41</b>	<b>13989.13</b>	<b>15492.7</b>	<b>-385.63</b>	<b>-7301.55</b>

**PPCL**

(₹ in lakh)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Cash Inflow</b>						
1	Net Profit/(Loss)	7116.11	13789.9	9625.85	19713.09	14734.37
2	Add: Adjustments	8943.95	5556.78	2656.2	-1738.89	3249.83
3	Operating Activities	0	923.86	2255.14	253.13	33374.56
4	Investing Activities	1893.70	2518.47	4913.36	9973.09	7355.28
5	Financing Activities	0	100	63550	46450	52247.24
	<b>Total</b>	<b>17953.76</b>	<b>22889.01</b>	<b>83000.55</b>	<b>74650.42</b>	<b>110961.28</b>
<b>Cash Outflow</b>						
6	Operating Activities	7228.18	4212.41	1503.4	1064.17	6209.76
7	Investing Activities	71.51	1820.82	374.52	51778.84	178977.96
8	Financing Activities	13924.93	19289.89	11044.11	12462.39	5344.96
	<b>Total</b>	<b>21224.62</b>	<b>25323.12</b>	<b>12922.03</b>	<b>65305.4</b>	<b>190532.68</b>
	<b>Net Increase/(decrease) in cash and cash equivalent</b>	<b>-3270.86</b>	<b>-2434.11</b>	<b>70078.52</b>	<b>9345.02</b>	<b>-79571.4</b>

From the above tables it may be seen that there was net decrease in cash and cash equivalent in 2008-09 and 2009-10 in respect of IPGCL while in PPCL decrease in cash and cash equivalent was in the years 2005-06, 2006-07 and 2009-10. Main reasons for cash deficit include heavy interest commitment on loans and locking up of funds in inventory not required immediately. It was observed that PPCL had increased dependence on borrowed funds from ₹ 596.70 crore in 2005-06 to ₹ 843.23 crore in 2009-10 whereas IPGCL reduced borrowing from

₹ 392.28 crore in 2005-06 to ₹ 362.54 crore in 2009-10. This entailed interest burden of ₹ 184.35 crore and ₹ 160.35 crore during the period 2005-06 to 2009-10 in respect of IPGCL and PPCL respectively thereby increasing the operating cost of the companies. Therefore, there is an urgent need to optimise internal resource generation by enhancing the PLF to national level. The instances noticed in audit on financial management in above areas are discussed below:

**Blockage of funds of ₹ 101.03 crore in stores and spares**

As per the guidelines of Central Electricity Regulatory Commission (CERC) the thermal power stations have to maintain spares equivalent to four lakh for each MW of installed capacity. The position of the stock of stores and spares of power stations of IPGCL and PPCL is given below:

**- (Amount in crores)**

Year	IP Station	GTPS	RTPS	Total IPGCL	Value of spares to be maintained at IPGCL as per guidelines	PPCL Station	Value of spares to be maintained at PPCL as per guidelines
2005-06 <sup>10</sup>	---	---	---	68.89	26.58	38.94	13.20
2006-07	14.38	39.72	15.93	70.03	26.58	29.37	13.20
2007-08	14.54	40.54	17.18	72.26	26.58	39.56	13.20
2008-09	12.94	39.45	17.86	70.25	26.58	39.04	13.20
2009-10	3.30	56.31	39.85	99.46	26.58	41.35	13.20

It may be seen from above that in all the years, the value of stores and spares kept at the three power stations of IPGCL and one power station of PPCL far exceeded the limit of value of stores and spares to be kept as per guidelines of CERC. This resulted in locking up of funds to the tune of ₹ 101.03 crore due to excess stock of spares in comparison to norms fixed by CERC as on 31 March 2010.

Excess inventory of stores and spares than CERC norms resulted in locking up of ₹ 101.03 crore

The Management stated (August 2010) that there are no such guidelines issued by CERC to the power station. The level of inventory to be maintained is governed by various factors like maintenance programme, age of plant and lead time required for supply. However, the Company has introduced ERP system and is in the process of streamlining codification of material which will help in reducing inventory level. However, the CERC has issued policy decisions in general from time to time which serve as a bench mark to regulate the cost etc for all power stations, not specifically to any one power station.

**Blockage of funds to the tune of ₹ 2.59 crore due to missing wagon of coal**

The coal requirement of the RTPS was being met through Railway Wagons from collieries situated in Madhya Pradesh on 100 per cent advance payment basis. The wagons which were originally consigned to the company but were

<sup>10</sup>Break-up for IP Station, GTPS and RTPS for the year 2005-06 is not available.

diverted subsequently to other power stations resulting in non receipt at IPGCL are treated as missing. A review of the records revealed that 211 wagons containing 13715 MTs of coal dispatched from Singrauli during the period 2005-06 to 2009-10 were not received whereas 100 per cent advance payments were made to the supplier. The Power Station was yet to recover 211 wagons of coal valuing ₹ 2.59 crore resulting in blockage of funds and also consequential loss of interest.

The management stated in their reply (August 2010) that the efforts are being made to get the diverted rakes of coal back and the matter is also being taken up with railways to reconcile the pending missing coal wagons.

### **5.2.20 Tariff Fixation**

The IPGCL/PPCL are required to file the application for approval of generation tariff for each year 120 days before the commencement of the respective year or such other date as may be directed by the Commission. The Commission accepts the application filed by generating companies with such modifications /conditions as may be deemed just and appropriate and after considering all suggestions and objections from public and other stakeholders, issue an order containing targets for controllable items and the generation tariffs for the year within 120 days of the receipt of the application.

The Commission sets performance targets for each year of the control period for the items or parameters that are deemed to be “controllable” and which include:

- (a) Station Heat Rate;
- (b) Availability;
- (c) Auxiliary Energy Consumption;
- (d) Secondary Fuel Oil Consumption;
- (e) Operation and Maintenance Expenses;
- (f) Plant Load Factor

Any financial loss on account of underperformance on targets for parameters specified above is not recoverable through tariffs. We noticed that the commission did not allow full recovery of various expenditures of fixed cost viz. O&M, depreciation, interest charges, interest on working capital, rebate to customers, return on equity and others. The under-recovery was to the tune of ₹ 170.46 crore<sup>11</sup> and ₹ 270.13 crore in respect of controllable factors for IPGCL and PPCL respectively during the review period, adding to the loss of IPGCL and reduction of profit of PPCL which was due to non achievement of targets fixed by DERC.

<sup>11</sup> DERC has not trued up expenditure for the year 2007-08, 2008-09 and 2009-10.



The management stated (August 2010) that recovery of fixed cost depends upon several parameters set by DERC which in turn depends on age & condition of plant, quality of fuel, breakdown of plant etc. and conclusion that expenditure was controllable & avoidable with better performance is subjective. It may be mentioned that DERC sets the targets of generation and fixes the norms of operation after considering the above issues. Further the company could have improved performance with proper & timely maintenance.

### **5.2.21 Environment Issues**

In order to regulate pollution levels and minimize the adverse impact on the environment, the GOI has enacted various statutes. At the state level, Delhi Pollution Control Committee (DPCC) is the regulating agency to ensure compliance with the provisions of these statutes. The Ministry of Environment and Forests (MoE&F), GOI and Central Pollution Control Board (CPCB) are also vested with powers under various statutes. The IPGCL and PPCL have an environmental wing at the corporate office.

Our scrutiny relating to compliance with the provisions of various Acts in this regard revealed the following:

#### ***Operation of plant without consent***

Under the provisions of environmental Acts, consent of DPCC is mandatory to run a power station in Delhi. Scrutiny of the records of RTPS revealed that it took the power station 14 years after its commissioning to apply for consent to operate on 30 June 2004, which remained pending as the power station's drain water was not being treated as no Effluent Treatment Plant (ETP) was installed. The water was not being reused for ash transportation and there was non adherence to stock emission norms. As the environmental issues remained unresolved at the power station, it continued to run without statutory consent till 8 February 2010 when the station got consent order from DPCC though the ETP had still not been constructed. Similarly, GTPS which was commissioned in 1986 also applied for consent to operate in 2004 after eighteen years in violations of above Acts. The consent order was received in 2007.

Further, as per the provisions of the Environment (Protection) Act, 1986, power station should provide online monitoring systems to record Suspended Particulate Matter (SPM) levels at RTPS and Nitrogen Oxide (NOx) at GTPS for better monitoring by DPCC. It was observed that although online monitoring system was installed in 1995 at the RTPS and GTPS, these equipments were not functioning effectively as a result of which SPM and NOx levels were being collected manually and that too at irregular intervals at these power stations in violation of the Act and in violation of conditions for consent to operate.

The management of GTPS stated (August 2010) that scheme for installing new online monitoring control system of NO<sub>x</sub> emission is under process and expected to be commissioned by December 2010.

The management of RTPS while accepting the audit contention intimated (August 2010) that environmental issues like SPM and effluent discharges have been a concern for the power station all the time. DPCC had been insisting for installation of ETP that would involve cost of around ₹ 3 crore, for which no decision has been taken on economic grounds. Further, it may be added here that GNCTD took a decision to close down the operation of RTPS during Common Wealth Games in view of high pollution emissions from the power station, confirming the fact that the pollution emissions need to be reduced at the RTPS.

#### ***Violation of Hazardous Waste (Management and Handling) Rules, 1989***

Rule 5 of the Hazardous Waste (Management and Handling) Rules, 1989 inter alia, provides that every occupier handling hazardous waste has to obtain authorization from State Pollution Control Board/Committee. Further Supreme Court had directed (October 2003) State Pollution Control Boards/Committee to issue closure directions to the units operating without any authorization or in violation of conditions of operations issued under Hazardous Waste Rules, 1989. GTPS received Authorization under these Rules from DPCC on 15 July 2004 which was valid for 2 years. DPCC, while giving authorization, asked for compliance with terms and conditions and directions of Supreme Court of India through a compliance report to be sent within a week of the authorization. However, the same were not submitted by GTPS and as a result show cause notices were issued by DPCC in March 2005 and October 2005.

Thereafter GTPS submitted an application to DPCC for renewal of authorization (14 June 2006). However, DPCC asked (9 February 2007) GTPS to comply with the directions of the Rules regarding disposal of used oil/ waste oil and other terms and conditions of the authorization, failing which, the renewal of authorization was liable to be refused and action could be taken under provisions of Environment (Protection) Act, 1986. GTPS has not received till date the renewal of authorization due to the absence of compliance of terms and conditions of authorization issued in 2004. It was also noticed that there were delays of 4 to 7 months in the disposal of used oil/waste oil after considering the prescribed 90 days. On the same lines authorization under Hazardous Waste (Management and Handling), Rules 1989 was not renewed with effect from July 2006 in respect of RTPS.

The management stated (August 2010) that now SAP has been introduced and as such time period for conversion of proposal to contracts would be less

compared to the earlier manual system and all the concerned agencies have been directed to dispose off the waste within 90 days positively.

### ***Air Pollution***

Coal ash, being fine particulate matter, is a pollutant under certain conditions when it is airborne and its concentration in a given volume of atmosphere is high. Control of dust levels (SPM) in flue gas is an important responsibility of power stations. Electrostatic Precipitator (ESP) is used to reduce dust concentration in flue gases. Control of dust level is dependent on effective and efficient functioning of ESPs. MOEF prescribed (May 1993) SPM level of  $150 \text{ mg/Nm}^3$  for thermal plants.

Our scrutiny of the records revealed that particulate stack emission levels of the RTPS were exceeding the prescribed range of  $150 \text{ mg/Nm}^3$ . It was observed that in a monitoring conducted by DPCC between September 2007 to November 2007, the emissions from the plant for particulate matter concentration from the stacks were in the range of  $155 \text{ mg/Nm}^3$  to  $226 \text{ mg/Nm}^3$ . Further in respect of GTPS, it was observed that monthly testing was not done at all during 2005-06 while testing was done occasionally at plant level during 2006-07, 2007-08 because testing laboratories were not appointed during April 2005 to May 2008. With appointment of laboratories, plant was getting monthly reading except during July 2009 to October 2009 when contract was not renewed. Against the norms of NOx of 75 ppm, the reading ranged mostly between 77 to 282 ppm during these years.

The management of GTPS stated (August 2010) that case for online monitoring of NOx emission test date was under process and finalized in October 2009 which is expected to be commissioned in December 2010 due to which all test could not be conducted.

The management of RTPS accepted the audit contention and attributed reasons of high SPM emission to the plant efficiency going down over a period of time. As a result there was more coal consumption and hence high inlet dust concentration and the resultant high outlet emission.

### ***Noise Pollution***

Noise Pollution (Regulation and Control) Rules, 2000 aim to regulate and control noise producing and generating sources with the objective of maintaining ambient air quality. To achieve the above, noise emission from equipment should be controlled at source, adequate silencing equipment should be provided at various noise sources and a green belt should be developed around the plant area to diffuse noise dispersion. Thermal Power

Stations are required to record sound levels in all the areas stipulated in the rules referred to above.

Our scrutiny revealed the following:

- RTPS did not record noise levels in the plant area during the review period except for once in June 2008 when the noise monitoring test of DG set installed at RTPS was carried out for obtaining consent to operate from DPCC. As per test report noise level recorded was 102 db (A) which exceeded the prescribed level of 75 db (A), even then the consent was given by DPCC for running the plant.
- PPCL did not record the noise levels till June 2007. It was observed that noise levels measured at plant building exceeded the prescribed norms during December 2007 to February 2009. Further, it was observed that station was not recording noise levels in the gas turbine halls, STG floor and building without assigning any reasons from August 2009 onwards where the noise levels were exceeding the limits. However, noise level at Lime Softening Plant (LSP) and ETP were monitored and were within limits.
- In case of GTPS, noise levels were not recorded.

The management stated (August 2010) that noise level monitoring would be done more regularly as per statutory requirements in future.

### **Water Pollution**

Waste water of a power plant is a source of water pollution. As per the provisions of the Water (Prevention & Control of Pollution) Act, 1974, the TPSs are required to obtain the consent of DPCC which inter-alia contains the conditions and stipulations for water pollution to be complied with by the TPSs. As per these stipulations, total suspended solids (TSS), effluents from main plant, colony, domestic and ash pond should not exceed 50 mg per litre. The monitoring conducted by DPCC during September 2007 to December 2007 indicated that the effluent from STP of Rajghat was not meeting the prescribed standard as TSS was found in the range from 124 mg to 154 mg per litre. The reason for excess TSS was attributed by the management to use of more water than normal quantity for floor washing, which was required to suppress fugitive dust emission. A monitoring conducted by DPCC in January 2008 revealed that the STP effluent was again not meeting the prescribed standard and stood at 144 mg per litre.

The management accepted (August 2010) the fact and attributed the reasons of high TSS to more consumption of processed water and poor quality of input process water as Yamuna was itself reduced to a drain in Delhi.

### **5.2.22 Monitoring by top management**

The generating company plays an important role in the state economy. For such a big organisation to succeed in operating economically, efficiently and effectively, there should be documented management systems of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years.

Our review of the system existing in this regard revealed that IPGCL/PPCL had developed an MIS system where data relating to operational performance, fuel consumption, efficiency, outages, etc. are compiled daily and on monthly/quarterly/annual basis. The operational/financial performances of both the companies were appraised to the Board of these companies on regular basis for information and necessary action.

With regard to socio economic parameters study, the importance of power generation is of paramount nature as all sectors of economy - residential, industrial, commercial, transport, service and agriculture require energy. The economic parameters measure how the use and production patterns of energy, as well as the quality of energy services affect progress in economic development. Social parameters measure the impact that available energy services may have on social well-being. These issues of evaluation of socio economic parameters of available energy services and study of their impact on social well being were discussed with management during the entry conference. The management replied that no study was conducted to evaluate the socio economic parameters to analyze the success rate of existing as well as new power projects under execution or planned and its positive impact on social well being.

### **Conclusion**

- **There was growth of 25.46 per cent in demand of power since beginning of 2005-06 to the end of 2009-10, however, there was no capacity addition during these years. In fact installed capacity was reduced by 26.09 per cent with closure of one station in December 2009.**
- **Capacity addition of 1500 MW envisaged by November 2010 (1250 MW by Common Wealth Games) could not come up due to delay in execution of the mega power plant at Bawana which is behind schedule by about eight months.**
- **There was excess consumption of input to the extent of Rs.120.81 crore in the power stations of IPGCL with respect to norms fixed by the regulator.**

- The value of stores and spares kept at the power stations of IPGCL and PPCL was exceeding the limit prescribed in CERC guidelines.
- Operational performance of power stations of IPGCL were affected due to low PLF, low plant availability, poor capacity utilization, excessive forced outages due to running on partial load, frequent shut downs and delays in repairs & maintenance.
- RTPS and GTPS of IPGCL got environmental consent to operate recently though installed and operating since long. Air, noise and water pollution levels at these power stations were neither monitored regularly due to absence of online monitoring equipments nor kept within the levels prescribed by DPCC.

### Recommendations

The companies must:

- Strengthen their project monitoring system so as to achieve project completion targets as scheduled.
- Strengthen and streamline their inventory management to check minimum, maximum and re-ordering levels of inventory and to avoid blockage of funds.
- Enhance thermal and fuel efficiencies with improved technology to ensure generation of power at heat rate stipulated by DERC and consequential consumption of fuel within norms.
- Ensure adequate availability of gas so that machines may not be kept idle or run on partial load for want of fuel.
- Strengthen their repair and maintenance practices and procedures to control excessive outages and ensure timely re-commissioning of equipments to improve the plant availability.
- Ensure strict adherence to environmental laws thereby minimizing the adverse impact on environment.
- Ensure installation of online monitoring system at power stations of IPGCL to have a check on emission levels on regular basis so as to take timely corrective measures.

### **5.3 Transaction Audit Observations**

#### **Government companies**

#### **Delhi State Industrial and Infrastructure Development Corporation Limited**

##### **5.3.1 Loss due to delay in filing of IT Return**

**Delay in filing Income Tax Return resulted in non-availing the benefit of carry forward of losses of ₹ 4.06 crore and avoidable payment of income tax to the extent of ₹ 1.38 crore.**

Section 72 of the Income Tax Act, 1961 (Act) allows a company to carry forward its business loss and to set off the same against future business profits. Section 80 of the Act, however, stipulates that business loss for an accounting year can be carried forward for setting off against the profits of subsequent years only if the Return of Income for the loss year was filed within the time limit prescribed under section 139 (1) i.e. 30th day of September\* of the respective assessment year.

The Company sustained a loss of ₹ 4.06 crore during the financial year 2007-2008. Due to delay in finalization of the accounts for the year 2007-08, the Company filed Income Tax return for the financial year 2007-08 on 12 June 2009 as against the stipulated date of 30 September 2008. Consequently, the Company could not avail the benefit of carried forward losses for setting off against the taxable profits for the next assessment year. The Company had earned net profit of ₹ 7.93 crore during the year 2008-09. Thus, due to delay in filing the income tax return and not availing benefit of carry forward of losses of ₹ 4.06 crore, the corporation suffered a loss of ₹ 1.38 crore (@ 33.99% on ₹ 4.06 crore.).

The Management stated (March/June 2010) that the delay in filing of Return of Income tax for F.Y. 2007-08 was due to the merger of another State Government Company (DSMDC Ltd) with the Company and the final order of merger was published in the official gazette on 04 March 2008. As the balance sheet for financial year 2006-07 of DSMDC and the Company had already been prepared and audited and the books of accounts for the period till the date of merger (viz. 26 June 2007) had also been prepared, the Company had to revise the annual accounts for the financial year 2006-07. The accounts of the Company for the financial year 2007-08 were thereafter finalised after considering effect of

\*Substituted for 31 October with effect from 1 April 2008.

the merger. The merger involved lots of accounting aspects which resulted in delay in finalisation of annual accounts for 2007-08. It was further stated (July 2010) that the Company could not file income tax return on due date i.e., 30 September 2008 due to non finalisation of tax audit report along with income tax return, which was mandatory under Section 44AB of Income Tax Act, 1961.

The reply of the Management is not acceptable as notifications for merger were issued (4 March 2008) before completion of the Financial Year 2007-08 and the Corporation had time of more than six months, which was sufficient to prepare their merged Annual Accounts 2006-07 and 2007-08 in time and finalization of tax audit reports.

The Company should develop a mechanism and issue necessary guidelines for ensuring timely finalisation of accounts and filing of income tax return as per the existing statutory requirement to avoid such lapses in future.

Thus, due to delay in filing the income tax return for the financial year 2007-08, the Company could not avail the benefit of carry forward of losses of ₹ 4.06 crore and suffered a loss of ₹ 1.38 crore towards payment of income tax.

The matter was reported (June 2010) to the Government; their reply had not been received (November 2010).

### **5.3.2 Avoidable expenditure due to delay in providing clear site**

**Delay on the part of the Company to provide clear alternative site for work resulted in avoidable expenditure of ₹ 4.18 crore on account of cost escalation.**

The Company was entrusted with the deposit work of mass housing project of Government of National Capital Territory of Delhi (GNCTD) under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) scheme by Urban Development Department. The work involved construction of 5008 houses with Re-inforcement Cement Concrete (RCC) Monolithic Technologies (Composite work) at three sites in Kanjhawala, Narela and Gogha in the vicinity of North-west Delhi at an estimated cost of ₹ 60.55 crore. The Company awarded (July 2007) the work to lowest bidder M/s Sintex Industries (Contractor) at negotiated tendered amount of ₹ 100.15 crore for construction of all 5008 houses at Kanjhawala site. Work was to be completed within 400 days with stipulated date of start and date of completion being 15 August 2007 and 18 September 2008 respectively. Since, the work was to be completed in less than 18 months, clause 10 cc of General Condition of the Contract relating to escalation in the cost of material/labour after receipt of tender, was not applicable. In the meantime, the allotment of Kanjhawala land to the Company by GNCTD was challenged in Delhi High Court by a group of individuals. The High Court stayed construction of houses in Kanjhawala on 19 September 2007.



As the Company was aware of mandatory payment towards price escalation in case the work is completed beyond 14 February 2009 (viz. 18 months from date of award of work), it should have provided the alternative site for the project to the contractor latest by 10 January 2008 considering the agreed period of 400 days required for completing the work so as to avoid escalation payments. We observed that the Company provided the alternative sites to contractor at Ghogha and Bawana for construction of 3680 and 704 houses respectively during 4-12 February 2008 despite availability of clear sites at two locations since 2007 and 2002.

Due to delay in handing over the sites, the contractor, before commencing the work, represented (March 2008) for applicability of said clause 10 cc for price escalation, which was agreed to by the Company as the delay in taking up the work was not attributable to the contractor. The Company had made additional payment of ₹ 4.18 crore (upto March 2010) on account of price escalation in the cost of material and labour, which could have been avoided with prompt and prudent action by the Company in timely handing over of the alternative sites for work to the contractor. This expenditure would further increase by the time the work is completed finally. The High Court in its decision dated 7 May 2010 left the matter for final decision of the Lieutenant Governor of Delhi.

While admitting that there was delay on the part of Management in providing alternate clear sites to the contractor, the Management stated (July 2010) that they were hoping for vacation of the stay on the land as Low Cost Housing was priority work of Delhi Government at that time. Further, the decision to shift the site was needed to be taken by Management/competent authority and decision was taken to shift from Kanjhawala to Ghogha and Bawana in order to avoid legal and contractual complications and to achieve targets under JNNURM.

The reply is not acceptable as the Company had provided the alternative sites in February 2008 pending the decision of the High Court, which could have been provided earlier also viz. before 10 January 2008 so as to avoid the applicability of the escalation clause. The fact, therefore, remained that the Management failed in providing the alternate sites promptly for execution of work despite availability of clear sites causing huge loss to the Company, which was avoidable.

The matter was reported (June 2010) to the Government; and their reply had not been received.

### 5.3.3 Avoidable payment of surcharge

**The failure of the Company to take a permanent connection and enhance the electricity load resulted in avoidable expenditure of ₹ 52.23 lakh**

The Company undertook the construction of Udyog Sadan Building (Building) at Patparganj, New Delhi on behalf of the Commissioner of Industries (CI), Government of Delhi. The Company applied (April 2002) to BSES Yamuna Power Ltd (BYPL) for 11 KV HT electric connection of 1000 KW load for the building. BYPL sanctioned (October 2003) the electric load and raised a demand for payment of ₹ 15 lakh @ ₹ 1500 per KW as Consumption Deposit, which was paid by the Company in July 2004. BYPL asked (August 2004) the Company to complete certain formalities viz. Fire Clearance Certificate, Building Completion Certificate (CC), Test Certificates for equipments installed by the Company, etc. in order to get the load released for energisation. However, the Company could not complete the formalities and as such, the sanctioned load was not released (November 2010) by BYPL. Delhi Government, in the meanwhile, ordered (May 2005) to urgently shift the office of the CI to the Building. The Company, in order to run the office at the Building, requested (May 2005) BYPL for release of 150 KW electric connection on temporary basis. Accordingly, a temporary load of 150 KW was sanctioned by BYPL which became functional in June 2005. The Company itself occupied the building in January 2007 and the electric bills were paid from June 2007 onwards on alternate basis by CI and the Company. CI and the Company occupied 47 and 36 *per cent* of the area of the building respectively and the rest of the area was occupied by two other Delhi Government offices.

During the review of the electricity bills of the Building for the period June 2007 to January 2011, we noticed that the requirement of power was ranging between 204 KVA to 1332 KVA against the temporary load of 150 KW (190.5 KVA). Against the per unit applicable energy charges of ₹ 4.90 and ₹ 4.95 for periods from June 2007 to March 2008 and April 2008 to January 2011 respectively, the BYPL recovered energy charges of ₹ 6.37 and ₹ 6.44 per unit from the Company/CI during the said periods, which included 30 *per cent* surcharge towards temporary connection and difference between the connected load and the actual load.

We observed that the Management of the Company adopted lackadaisical approach in fulfilling the legal requirements for obtaining Building CC, which was mandatory for obtaining the permanent connection. We noticed that the Company applied (March 2006) to Delhi Development Authority (DDA) for Building CC, which was not issued by DDA on account of certain shortcomings/pending formalities [including the 'No objection certificate' (NOC) from Delhi Fire Service (DFS)]. On approaching DFS, Company was apprised (February 2007) of certain shortcomings in fulfillment of certain fire

safety requirements for necessary rectification. The company took abnormally long period of 26 months to attend to the shortcomings and in April 2009 requested DFS to inspect the building for issuance of NOC. The issue of NOC by DFS was, however, still pending (November 2011).

The Company as well as CI had already incurred an extra expenditure of ₹ 103.03 lakh [₹ 50.80 lakh (CI) and ₹ 52.23 lakh (Company)] towards surcharge on temporary connection and excess demand surcharge. The same was avoidable had the Company made timely efforts to get a permanent connection and increase the sanctioned load of the building. Besides, the Consumption Deposit of ₹ 15 lakh deposited by the Company with BYPL for the purpose of availing permanent connection also remained unfruitful. The Company would further continue to incur this extra expenditure till the permanent connection and the sanctioned load increased after assessment of actual requirement.

Thus, the Company and CI incurred an avoidable loss of ₹ 103.03 lakh being the surcharge on temporary connection and excess demand for the period June 2007 to January 2011, of which, ₹ 52.23 lakh pertained to the Company.

In reply, Management stated (November 2010) that the issue is being consistently pursued with appropriate authorities in DDA/DFS for obtaining the Building Completion Certificate/NOC and the Company was hopeful for obtaining the permanent connection shortly.

The reply is not acceptable as the Company took a long period of more than six years to fulfil the requirements for obtaining permanent connection after BYPL asked for the same in August 2004, which is indicative of inaction and lackadaisical approach of the Company. Further, it was incumbent upon the management to ensure timely action in coordination with the other agencies to remove the hindrances.

The matter was reported (September 2010) to Government; their reply had not been received (November 2010).

## **Delhi Tourism and Transportation Development Corporation Limited**

### **5.3.4 Undue benefit to Licensee**

**Failure of the Company in terminating the contract despite repeated violations of the contract terms by the Licensee not only facilitated the Licensee to avail undue exploitation of Company's resources but also resulted in deviation from the basic objectives of the project.**

The Company entered (8 August 2005) into a contract with M/s ITE India Pvt. Ltd. (Licensee) for operation and running of food/craft stalls in respect of 31

commercial outlets for 10 years at the 'Garden of Five Senses' (Garden) situated at Said-ul-Ajaib, New Delhi. The licensee was to comply with the operational plan approved by the Company and was not to use the commercial outlets for any purpose other than specifically permitted under the contract or as approved by the company. As per the terms of the contract, the Company was entitled to receive license fee\* plus one *per cent* of turnover payable in advance quarterly installments before the 7th of each quarter after a moratorium period of six months. In case of default, the Licensee was liable to pay interest at the rate of SBI prime lending rate (PLR) plus two *per cent* for the delay period. Further, in case of any violation of the agreed terms by the Licensee, the Company at its discretion was entitled to terminate the license under clause 9.4.1, article 9 of the contract by issuing a termination notice after allowing a cure period of 90 days from the issue of preliminary notice.

The Company noticed (16 November 2006) gross violations to the agreed terms of the contract by the Licensee. Though the contract was to operate, maintain and manage the commercial outlets (*viz.* food stalls/craft shops), the Licensee unauthorisedly signed (May 2006) sub-lease agreements with 31 parties at monthly rental of ₹ 8 lakh. The Licensee also allocated the common area called 'Garden village' to the sub-lessees without the company's permission. The Licensee was also running the restaurants instead of food stalls by unauthorised use of the area meant for public use. Further, the sub lessees obtained the 'excise license' from Excise Department for serving liquor.

We observed that the Garden was conceptualised with the basic objective of providing the leisure space to city so as to serve the needs of general public and also to utilise the space for displaying art, organising art workshops, events, exhibitions, cultural programs, etc. within the normal timing of 9 AM to 7 PM. However, unauthorised running of dining restaurants and serving of liquor was against the objectives of setting up of the Garden. Under these circumstances, the only appropriate action warranted against the Licensee for violation of agreement terms was to terminate the contract immediately and invite fresh tenders for operation of the Garden so as to attain the basic objectives of the project.

The Company, however, did not take any concrete action for termination of the agreement with the Licensee. On the other hand, the Company regularised the activities of the Licensee by imposing (July 2007) enhanced license fee of ₹ 21.42 lakh for the period from August 2007 to August 2009. The action of the Company to regularise the unauthorised activities of the Licensee by collecting enhanced license fee indicate impropriety and passing on of undue benefits to the Licensee.

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\*Payable at the rate of ₹18.50 lakh per annum with 10 *per cent* appreciation after every three years.

We further observed that the Licensee had collected aggregate rent of ₹ 1.86 crore from sub-lessees during two years from July 2006 to July 2008 against which the Company got a meager return of ₹ 46.25 lakh (excluding revised license fee) during August 2005 to July 2008.

The Management replied (March 2010) that as per the agreement annual license fee chargeable was ₹ 18.50 lakh during the first three years hence the calculations of estimated rental income (₹ 1.86 crore) of the Licensee as arrived at by audit is not realistic. It was further stated (August 2010) that the Licensee had erroneously entered in to sub lease agreements and in order to recover its dues, Company had served a preliminary notice on 18 May 2010 to initiate action against the licensee for recovery of updated dues besides termination of license.

The fact, however, remains that in spite of issue of notice dated 18 May 2010, the license was not terminated but unauthorised activities of the Licensee were regularised by collecting enhanced license fee, which completely defeated the main object of providing leisure space to general public besides utilising the space for displaying art, organising art workshops, events, exhibitions, cultural programs, etc.

The Company needs to take immediate action to terminate the contract with the Licensee. The Company also needs to fix the responsibility for lackadaisical approach adopted in taking effective action against the Licensee for termination of the contract despite repeated violation of contract terms.

The matter was reported (June 2010) to the Government; their reply had not been received (December 2010).

## **Delhi Transco Limited**

### **5.3.5 Undue benefit to the beneficiaries drawing bulk power**

**The Company extended undue financial benefit to the beneficiaries by delaying recovery of advance income tax paid on their behalf causing interest loss of ₹ 40.65 lakh**

Prior to April 2007, the Company was the sole power distribution company in Delhi. The Company used to purchase the power from central power generation companies and transmit the same to the three power distribution companies (DISCOMs). Since April 2007 the activities relating to purchase and distribution of power to the consumers was transferred to the DISCOMs. The activities of the Company were therefore, confined to transmission of power and collection of wheeling charges from DISCOMs. In addition, the Company was

also supplying power directly to New Delhi Municipal Corporation (NDMC) and Military Engineering Services (MES), of these, NDMC was also distributing the power to retail consumers. As per clause 5.23 and 5.26 of Multi-Year Tariff (Transmission) order (MYT) for the financial year 2008-11, the Income Tax on the Licensed Business of the transmission licensee (i.e. the Company) should be treated as expense and should be recovered from the beneficiaries (viz. DISCOMs, NDMC and MES) without making any application before the Delhi Electricity Regulatory Commission (Commission). In case of any objections regarding the amount claimed on account of income tax, the beneficiaries were required to first make payments to the Company and approach the Commission formally afterwards for decision in the matter.

Our scrutiny of records revealed that the Company had paid advance income tax of ₹ 7.44 crore (Minimum Alternate Tax of ₹ 6.96 crore and ₹ 0.48 crore as FBT), in December 2007, March and June 2008 from its own funds on behalf of the beneficiaries. The Company, however, did not timely raise the claims against the beneficiaries for recovery of the tax paid even though the expenses on account of the tax liability on estimation basis had been allowed to the beneficiaries in the computation of Annual Revenue Requirement (ARR) and the beneficiaries had been recovering the same from the consumers by way of tariff through monthly bills. It was only after finalisation of accounts for the year 2007-08, the Company had demanded (August 2008) the advance income tax of ₹ 7.44 crore from the beneficiaries. The amount was recovered from DISCOMs [viz. NDPL (₹ 1.87 crore), BSES Rajdhani Power Limited (₹ 2.71 crore) and BSES Yamuna Power Limited (₹ 2.16 crore)] and NDMC (₹ 0.61 crore) during October-November 2008 while the amount pertaining to MES (₹ 0.09 crore) was received on 21 March 2009. Thus the Company failed to safeguard its financial interest by delaying recovery of advance income tax paid on behalf of the beneficiaries, which caused loss of interest of ₹ 40.65 lakh\* up to the date of actual recovery of dues from the beneficiaries.

In reply, Management stated (October 2009) that the payment of advance income tax does not fall under the definition of income tax so the claim of income tax could be filed only after the payment of income tax which is supported by suitable documents. As such, the advance income tax could be recovered from the beneficiaries only after producing the evidence of payment duly verified from a chartered accountant. Management further stated that the financial cost of the funds utilised towards payment of the advance tax has already been allowed as a component of interest on working capital by the

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\* Worked out for the periods up to the actual date of recovery from the beneficiaries after allowing 15 days period for recovery in normal course.

Commission as a part of the tariff, as such, there is no loss to the Company on this account.

The reply of Management is not acceptable because as per the prevailing instructions the Company should recover amount paid on account of advance income tax directly from the beneficiaries and there was no need to provide authenticated/audited documents as the amount of advance tax recoverable from the beneficiaries was determinable based on the challans and entitled quantum of power to each beneficiary. In case of any objection regarding payment, the beneficiaries were required to go for appeal before the Commission after making payment to the Company. Further, all the beneficiaries (except MES) indirectly receive the income tax component on estimation basis through the monthly tariff recovered from customers while the estimated tax liability of the beneficiaries was being paid by the Company out of its own funds by way of advance tax. As such, the beneficiaries, which included three private DISCOMs were unduly benefited at the cost of the Company, which was not in the financial interest of the Company.

The reply of the Management regarding inclusion of the financial cost of the funds in the tariff was verified and it was found that no such costs were included in the tariff claims submitted to the Commission, hence, the contention of allowing of said financial cost by the Commission as component of interest on working capital was factually incorrect.

The matter was reported (November 2010) to the Government; their reply had not been received.

## **Statutory Corporation**

### **Delhi Transport Corporation**

#### **5.3.6 Non-recovery of VAT**

**The state exchequer suffered a loss of ₹ 0.97 crore due to non-recovery of Value Added Tax by the Corporation from the scrap buyers in violation of the Delhi Value Added Tax Act, 2004**

In accordance with section 3 (2) of the Delhi Value Added Tax Act, 2004 effective from 1 April 2005, every dealer shall be liable to pay value added tax (VAT) at the specified rates on the value of every sale of goods affected by him, which included sale of unserviceable/obsolete goods and scrap. The third schedule of the Act specifies that all types of scrap not included elsewhere in any schedule of the Act shall attract VAT at the rate of four *per cent*.

We observed that the Corporation had sold a scrap of ₹ 24.35 crore during 1 April 2005 to 31 March 2010. As per said provisions of the Act, the value of the scrap sold by the Corporation attracts a VAT of ₹ 0.97 crore worked out at the applicable rate of four *per cent* of the sales value. As such, the Corporation was required to collect the said amount of VAT from the buyers of the scrap and remit the same with VAT authorities in time so as to avoid any penalty.

We, however, noticed that the Corporation had not collected the said VAT from the scrap buyers and could not deposit the same with the Government of NCT of Delhi in contravention of the provisions of the Act.

In reply to the factual statement, Management stated (November 2010) that registration of VAT is under process with the Sales Tax Department and the due VAT shall be charged from the bidders and deposited with the respective authorities.

The reply of the Management is not acceptable as in terms of the provision of section 3 of the Delhi Value Added Tax Act, 2004 (DVAT Act) every dealer required to be registered under the DVAT Act shall be liable to pay tax in accordance with the Act on every sale of goods effected by him on and from the day on which he was required to be registered under this Act. Further, as per the provisions of section 18 of the Act every dealer is required to apply for registration under this Act if he falls under any of the following cases: (a) the turnover of the dealer in the year 2004-05 or 2005-06 exceeds the minimum taxable value of ₹ 10 lakh, or (b) the dealer, who is registered or required to be registered under Central Sales Tax Act, 1956. The sale of scrap by the Corporation was ranging between ₹ 1.69 crore to ₹ 11.58 crore during 2005-06 to 2009-10 hence, it was required to be registered under the Delhi Value Added Tax Act, 2004 and thus was liable to pay VAT from 2005-06 onwards. Further, the plea of the Management for charging the un-recovered VAT from bidders is also not valid as the scrap was sold to various parties during 2005-06 to 2009-10 and locating the whereabouts of those private parties for recovery of unpaid dues after such a long period is not practically possible.

Thus, the failure of the Corporation in recovering the VAT from scrap buyers not only violated the provisions of DVAT Act but also caused loss of ₹ 0.97 crore to the state exchequer besides extending undue benefit to the private bidders to that extent. Further, the possibilities of penal action against the Corporation for non payment of the VAT to the tax authorities could not be ruled out.

The Corporation is required to streamline the system of recovering the VAT from the scrap buyers at the time of sale and remit the same promptly to the tax authorities so as to avoid such lapses and possibilities of any penal action from the Government.

The matter was referred (January 2011) to the Government/Management; their replies had not been received (January 2011).



### **5.3.7 Delay in Investment of EPF**

**Abnormal delay in investment of surplus EPF by the Employees Provident Fund Management of Delhi Transport Corporation resulted in interest loss of ₹ 50.09 lakh.**

Delhi Transport Corporation Employees Provident Fund Trust (Trust) was constituted in February 1964. The affairs of the Trust were being managed by the Board of Trustees in accordance with the provision of DTC Employees Provident Fund Regulations, 1978 and the Board of Directors Resolution dated 18 February 1980 as approved by the Regional Provident Fund Commissioner.

The Trust was responsible to utilise the fund so received towards payment of dues to retired personnel and extending various advances to the existing staff of the Corporation. The surplus fund, after meeting the said requirements was to be invested by the Trust in a prudent manner in Central/State Government securities/PSUs/Nationalised Banks, etc. for short as well as long durations so as to ensure maximum returns.

During the period from 12 April 2006 to 21 April 2006 huge payments on account of Employers and Employees contribution and interest on late payment were received by the Trust. A scrutiny of bank statements of trust revealed that as on 21 April 2006 an amount of ₹ 144.45 crore was available with the trust whereas the Trust requires ₹ 10 crore per month for making the payments on account of non-refundable Advance/ Refundable loans and 90 per cent advance as final settlement etc., to the employees/ex employees. Thus, it is evident that huge surplus balance of the EPF was available with the Trust for investment. However, the EPF Management had not taken prompt action to invest the funds in short/long term deposits to earn more interest and the funds were kept idle in the savings bank accounts up to 1 May 2006 without any decision on its investment. On 1 May 2006 an amount of ₹ 130 crore was declared as surplus by EPF Management. The EPF Management took another 28 days for completing the process for investing the surplus funds and invested an amount of ₹ 125 crore with Oriental Bank of Commerce on 29 May 2006.

Thus, the Trust suffered an interest loss of ₹ 50.09 lakh\* for the period from 21 April to 29 May 2006 due to the failure of EPF Management in taking prompt decision on investment of the surplus funds of the Trust leading to abnormal delay of more than one month in making the investment.

\* worked out at differential rate of interest (3.75 per cent) between interest earned on saving bank account (3.50 per cent) and interest receivable (7.25 per cent) on investments made in Oriental Bank of Commerce

The Management/Government while accepting the facts stated (October/November 2010) that there was no malafide/intentional delay in the investment of surplus funds.

The EPF Management of the Corporation needs to safeguard the financial interests of the Trust through prompt and efficient decision making on investment of surplus funds as the interest earned on such investments is the only source of income for the Trust.

### **5.3.8 Avoidable Expenditure**

**Non-availing of the benefits of monthly concessional passes on Delhi-Gurgaon Expressway resulted in loss of ₹ 0.98 crore.**

The Corporation has been regularly plying its buses to Gurgaon via Delhi-Gurgaon Expressway. The Delhi-Gurgaon expressway started functioning with effect from 23rd January 2008. The Delhi-Gurgaon Expressway Authority (DGEA) had been charging ₹ 49 per single trip upto March 2008, ₹ 51 per single trip from April 2008 to March 2009, ₹ 54 from April 2009 to March 2010 and ₹ 58 from April 2010 to December 2010. The vehicles, which were plying regularly on Delhi-Gurgaon-Expressway, had the option to avail the benefit of concessional monthly passes. The DGEA had been issuing concessional monthly passes at ₹ 1941 upto March 2008, at ₹ 2020 from April 2008 to March 2009, at ₹ 2139 from April 2009 to March 2010 and at ₹ 2297 from April 2010 to December 2010 for sixty single trips with validity of thirty days by giving a discount of 34 *per cent* of the normal trip rate. Scrutiny of records however revealed that the Corporation had not been availing the benefit of discount by obtaining concessional monthly passes for its buses though it had been plying its buses regularly on the Expressway. The Corporation had paid total expressway charges of ₹ 2.89 crore during January 2008 to December 2010 on per trip basis. Failure to obtain the monthly concessional passes by the Corporation for Delhi-Gurgaon Expressway has resulted in avoidable extra expenditure of ₹ 0.98 crore during the period January 2008 to December 2010.

The Corporation stated (December 2010) that in view of old buses/breakdowns/non availability of drivers in the evening shift the number of buses could not be plied as per schedule and in the event of purchase of monthly passes, the non plying of buses on Gurgaon route would result in financial loss to the Corporation.

The reply of the Corporation is not factually correct as the Corporation had already been availing the benefit of monthly passes for toll tax being levied by MCD on Delhi Gurgaon border in respect of its buses passing through the

expressway. As such, the plea of non-availability of buses on the route is not valid. Further the Corporation's buses on an average performed seven trips per bus/day on Delhi Gurgaon route and the benefit of the concessional passes issued by DGEA was available for 60 single trips with validity of 30 days. Hence, the entire set of concessional passes would be exhausted within eight to nine days as against 30 days validity period of the coupon which itself proves that the purchase of monthly concessional passes would result in savings to the Corporation.

The matter was reported (June 2010) to the Government; their reply had not been received (December 2010).



**(RAJVIR SINGH)**

**New Delhi**

**Dated:**

**Accountant General (Audit), Delhi**

**Countersigned**



**(VINOD RAI)**

**New Delhi**

**Dated:**

**Comptroller and Auditor General of India**

# Appendix 1.1

(Referred to in para 1.8)  
Position of outstanding ATNs as on 31.12.2010

Sl. No.	Year of Report	Chapter of the Report	Para No.	Pertains to	Brief subject
1.	Ended 31 March 1995	V	5.4	Delhi Jal Board	Construction of Water Treatment Plant at Nangloi
2.	Ended 31 March 1996	III	3.13	Public Works Department	Construction of Police Training School at Jharoda Kalan.
3.	Ended 31 March 1997	III	3.15	Irrigation and Flood Control Department	Wasteful expenditure
4.	Ended 31 March 2001	III	3.11	Medical and Public Health Department	Irregular expenditure incurred by Delhi State AIDS Control Society
5.	Ended 31 March 2002	III	3.2	Welfare of SC/ST/OBC Department	National Scheme of Liberation and Rehabilitation of Scavengers and their Dependents
6.	Ended 31 March 2002	IV	4.4	Public Works Department	Avoidable financial burden
7.	Ended 31 March 2004	III	3.3	Education Department	Irregular payment of Transport Allowance
8.	Ended 31 March 2004	III	3.6	Public Works Department	Wasteful expenditure due to poor planning and defective execution
9.	Ended 31 March 2004	III	3.7	Public Works Department	Avoidable expenditure on price escalation
10.	Ended 31 March 2004	III	3.10	Public Works Department	Undue liability due to non-revision of water charges
11.	Ended 31 March 2004	III	3.11	Public Works Department	Irregular expenditure on deployment of personnel
12.	Ended 31 March 2004	IV	4	Municipal Corporation of Delhi	Development of Rural and Urban Villages
13.	Ended 31 March 2004	VI	6.15	Delhi Financial Corporation	Loss due to fixation of wrong revised repayment schedule
14.	Ended 31 March 2005	III	3.8	Medical and Public Health Department	Undue liability due to non-revision of water charges
15.	Ended 31 March 2005	III	3.11	Public Works Department	Avoidable expenditure on cost escalation
16.	Ended 31 March 2005	III	3.14	Public Works Department	Extra expenditure due to injudicious decisions
17.	Ended 31 March 2005	V	5.16	Delhi SC/ST/OBC/Minorities and Handicapped Financial and Development Corporation Limited	Ineffective implementation of schemes for upliftment of weaker sections
18.	Ended 31 March 2005	Vol.II Ch.III		Medical and Public Health Department	Performance Audit of the Directorate of Indian Systems of Medicine and Homoeopathy
19.	Ended 31 March 2006	Vol.I Ch.III	3.5	Irrigation and Flood Control Department	Unfruitful expenditure due to foreclosure of a work
20.	Ended 31 March 2006	Ch. V	5.11	-	Corporate governance in government companies
21.	Ended 31 March 2006	Vol.II Ch I		H&FW, MCD &NDMC	Performance audit of Four Major Public Hospitals in Delhi

22.	Ended 31 March 2006	Ch II		Dept. for the Welfare of SC/ST/OBC/Minorities	Performance audit .of Educational Development of SC/ST
23.	Ended 31 March 2007	III	3.2	Health and Family Welfare Department	Delay in installation of Medical Equipment
24.	Ended 31 March 2007	III	3.3	Health and Family Welfare Department	Wasteful expenditure on procurement of an incinerator
25.	Ended 31 March 2007	III	3.4	Health and Family Welfare Department	Unfruitful expenditure on purchase of infant ventilators
26.	Ended 31 March 2007	III	3.5	Department of Home	Non-recovery of licence fee
27.	Ended 31 March 2007	III	3.7	Public Works Department	Unintended benefit to a contractor
28.	Ended 31 March 2007	III	3.8	Public Works Department	Avoidable expenditure on cost escalation
29.	Ended 31 March 2007	V	5.11	Delhi SC/ST/OBC/ Minorities/Handicapped Financial & Development Corporation	Construction of building without assessing requirement
30.	Ended 31 March 2007	Vol. II Ch.I		Dept. of Labour	Implementation of Industrial Disputes Act,1947 and Contract Labour (Regulation and Abolition) Act, 1970
31.	Ended 31 March 2007	Vol. II Ch.II		Directorate of Education	Information Technology Audit of the Directorate of Education
32.	Ended 31 March 2008	III		Health and Family Welfare Department	Performance Audit on procurement of drugs and medical equipment and its impact on delivery of health services in Delhi
33.	Ended 31 March 2008	IV	4.1	Department of forest and wild life	Non-recovery of compensatory plantation charges
34.	Ended 31 March 2008	IV	4.2	Health and Family Welfare Department	Excess payment of service tax amounting to ₹ 40.27 lakh
35.	Ended 31 March 2008	IV	4.4	Department of Social Welfare	Loss of ₹ 13.93 lakh on purchase of foodgrains
36.	Ended 31 March 2008	IV	4.5	Department of Social Welfare	Idle investment of ₹ 1.03 crore in allotment of land
37.	Ended 31 March 2008	IV	4.8	Transport Department	Bus Rapid Transport Corridor (BRTC) Project
38.	Ended 31 March 2008	IV	4.10	Delhi Jal Board	Unintended benefit to a contractor
39.	Ended 31 March 2008	V	5.1	Department of Food, Supplies and Consumer Affairs, GNCT of Delhi	Internal Control Mechanism
40.	Ended 31 March 2008	VI	6.13	Delhi SC/ST/OBC/Minorities/Handicapped Financial and Development Corporation Limited	Misplacement of loan files/record
41.	Ended 31 March 2008	VI	6.14	Delhi SC/ST/OBC/Minorities/Handicapped Financial and Development Corporation Limited	Failure of TCPC Scheme

42.	Ended 31 March 2008	VI	6.15	Delhi SC/ST/OBC/ Minorities/Handicapped Financial and Development Corporation Limited	Poor recovery of loans due to inadequate recovery follow up
43.	Ended 31 March 2008	VI	6.17	Delhi Transport Corporation	Operational loss due to unplanned deployment of buses
44.	Ended March 2009	II	2.1	Department of Home	Working of Delhi Fire Service
45.	Ended March 2009	II	2.2	Department of Urban Development	Development works in regularized-unauthorised colonies undertaken by the DJB and MCD
46.	Ended March 2009	II	2.3	Delhi Health Mission	National Rural Health Mission
47.	Ended March 2009	III	3.1.1	Delhi Jal Board	Irregular payment of escalation charges
48.	Ended March 2009	III	3.1.2	Public Works Department	Avoidable extra expenditure due to delay in supply of drawings in time
49.	Ended March 2009	III	3.2.1	Public Works Department	Unfruitful expenditure on road works left incomplete due to encroachments
50.	Ended March 2009	III	3.2.2	Public Works Department	Unfruitful expenditure on surplus work-charged staff
51.	Ended March 2009	III	3.3.1	Department of Home	Avoidable expenditure due to injudicious assessment of sanctioned load of electricity supply
52.	Ended March 2009	III	3.3.2	Public Works Department	Unfruitful expenditure on construction of Kalindi Bypass
53.	Ended March 2009	III	3.3.3	Public Works Department	Avoidable payment of interest due to delay in appointment of arbitrator and non-submission of documents in time
54.	Ended March 2009	III	3.3.4	Public Works Department	Extra avoidable expenditure on consultancy fee
55.	Ended March 2009	III	3.3.5	Department of Women and Child Development	Excess payment of fixed electricity charges
56.	Ended March 2009	III	3.3.6	Department of Labour	Unfruitful expenditure on running of Holiday Homes
57.	Ended March 2009	III	3.4.1	Department of Training and Technical Education	Avoidable payment of water charges at abnormally high rates
58.	Ended March 2009	IV	4.1	Transport Department	Integrated audit on the functioning of Transport Department
59.	Ended March 2009	V	5.2	DTC	Performance Audit Report on the functioning of Delhi Transport Corporation
60.	Ended March 2009	V	5.3.1	Delhi Power Company Limited	Avoidable Loss
61.	Ended March 2009	V	5.3.2	Delhi Financial Corporation	Non-recovery of dues
62.	Ended March 2009	V	5.3.3	Delhi Financial Corporation	Inadequate pre-sanction scrutiny
63.	Ended March 2009	V	5.3.4	Delhi Financial Corporation	Delayed action against borrower

# Appendix 2.1

## (Referred to in para 2.1.6.7) Cases of delays in issue of Notification for acquisition of land (Position as on February 2011)

S.No.	File No.	Name of land requisitioning agency	Date of requisition	Date of notification u/s 4, 6 & 17 of the Act	Date of handing over of land to the agency	Delay in months
1.	F10(2T)/08/L&B/LA/MRTS	DMRC	21.8.08	30.6.09	Not mentioned	10
2.	F7(15)/09/L&B/LA	MCD	25.11.09	28.6.10	-do-	7
3.	F8(16)/07/L&B/LA	DJB	14.9.07	11.8.09	14.10.09	22
4.	F7(33)/07/L&B/LA	DJB	2.11.07	31.5.10	Not mentioned	19
5.	F7(24)/07/L&B/LA	DJB	5.11.07	22.6.10	-do-	20
6.	F11(26)/09/L&B/LA	MCD	15.5.09	9.2.10	-do-	7
7.	F7(3)/09/L&B/LA	MCD	17.4.09	6.4.10	-do-	10
8.	F11(56)/08/L&B/LA	MCD	23.10.08	12.11.10	-do-	24
9.	F10(36)/06/L&B/LA	MCD	20.4.10	29.7.10	-do-	3
10.	F9(9)/09/L&B/LA	MEA	8.4.08	18.6.10	-do-	24
11.	F9(1)/08/L&B/LA	DDA	29.11.07	20.5.10	-do-	18
12.	F9(81)/07/L&B/LA/MRTS	DMRC	13.6.07	7.2.08	-do-	7
13.	F9(75)/07/L&B/LA/MRTS	DMRC	7.5.08	14.2.08	-do-	8
14.	F9(85)/07/L&B/LA/MRTS	DMRC	26.9.07	18.2.08	-do-	4
15.	F9(6)/09/L&B/LA/MRTS	DMRC	3.3.09	11.11.09	-do-	8
16.	F9(23)/08/L&B/LA/MRTS	DMRC	18.3.08	7.5.10	-do-	24
17.	F9(47)/08/L&B/LA/MRTS	DMRC	25.2.09	23.2.10	-do-	11
18.	F9(48)/08/L&B/LA/MRTS	DMRC	21.8.08	7.5.10	-do-	23
19.	F9(84)/07/L&B/LA/MRTS	DMRC	21.9.07	11.4.08	-do-	6
20.	F11(35)/09/L&B/LA	PWD	29.5.10	16.2.10	-do-	8

## Appendix 2.2

### (Referred in para 2.1.7.1) Financial resources of NCR Planning Board

(₹ in Crore)

Financial Year	Plan Funds released by Central Government	*Internal Accruals	GNCTD contribution
1985-86	3.90	0.03	-
1986-87	4.25	0.38	-
1987-88	6.00	0.87	-
1988-89	7.92	1.54	-
1989-90	7.60	2.99	-
<b>Sub-Total</b>	<b>29.67</b>	<b>5.81</b>	<b>-</b>
<b>ANNUAL PLANS</b>			
1990-91	10.00	4.06	-
1991-92	12.25	6.82	-
<b>Sub Total</b>	<b>22.25</b>	<b>10.88</b>	<b>-</b>
<b>VIII PLAN</b>			
1992-93	10.00	9.79	-
1993-94	20.00	12.67	3.50
1994-95	25.00	20.29	3.00
1995-96	40.00	27.00	3.50
1996-97	40.00	29.00	3.75
<b>Sub Total</b>	<b>135.00</b>	<b>98.75</b>	<b>13.75</b>
<b>IX PLAN</b>			
1997-98	42.00	62.38	15.00
1998-99	45.00	82.56	20.00
1999-2000	42.00	147.16	30.00
2000-01	45.00	208.50	30.00
2001-02	50.00	308.92	25.00
<b>Sub Total</b>	<b>224.00</b>	<b>809.52</b>	<b>120.00</b>
<b>X PLAN</b>			
2002-03	55.00	343.81	-
2003-04	52.00	413.36	30.00
2004-05	61.70	419.95	30.00
2005-06	70.00	311.00	30.00
2006-07	75.00	316.78	27.00
<b>Sub total</b>	<b>313.70</b>	<b>1804.90</b>	<b>117.00</b>
<b>XI PLAN</b>			
2007-08	100.00	321.71	50.00
2008-09	50.00	399.01	50.00
<b>Sub Total</b>	<b>150.00</b>	<b>720.72</b>	<b>100.00</b>
<b>Grant Total</b>	<b>874.62</b>	<b>3450.58</b>	<b>350.75</b>

\* This includes interest on bank deposits and repayment of loan/ interest received by NCRPB from State Governments/ their borrowing agencies.



## Appendix 2.3

(Referred to in para 2.1.8.3)  
Position of outstanding Inspection Reports  
(position as on February 2011)

### Internal Audit

S.No.	Period of audit	Number of paras included in the IR	Number of paras settled	Paras outstanding as on July 2010	Percentage of outstanding paras
1.	1976-77	7	6	1	14.28
2.	1977-78	19	15	4	21.05
3.	1978-79	22	11	11	50
4.	1979-80	29	21	8	27.58
5.	1980-82	31	19	12	38.70
6.	2006-08	9	4	5	55.55
7.	2008-09	9	-	9	100
		126		50	

### Statutory Audit

S.No.	Period of audit	Number of paras included in the IR	Number of paras settled	Paras outstanding as on July 2010	Percentage of outstanding paras
1.	1979-81	16	15	1	6.25
2.	1981-82	11	10	1	9.09
3.	1982-83	14	12	2	14.28
4.	1984-85	15	14	1	6.66
5.	1985-86	15	13	2	13.33
6.	1986-87	10	7	3	30
7.	1987-88	25	24	1	4
8.	1993-94	14	11	3	21.42
9.	1995-96	17	13	4	23.52
10.	1996-98	12	7	5	41.66
11.	1998-99	4	3	1	25
12.	1999-02	17	6	11	64.70
13.	2002-04	4	3	1	25
14.	2004-05	22	14	8	36.36
15.	2005-06	8	5	3	37.5
16.	2006-07	9	0	9	100
		213		56	

# Appendix 2.4

(Referred to in para 2.1.9.6)

Number of different types of quarters in various localities as on 31.3.10 under General Pool of Government of NCT of Delhi

S.No.	Locality	A	B	C	D	E	E1	E2	E3	Total number of flats
1	Gulabi Bagh	856	672	114	210					1852*
2	Kalyanvas	938	630							1568^
3	Timarpur		680	90	32					802*
4	Nimri Colony		225	150						375*
5	Karkardooma		220	60	30					310^
6	Sindhora Khurd		276							276*
7	Hari Nagar			252						252
8	Sindhora Kalan	64	176							240*
9	Mayur Vihar			24	72					96
10	Greater Kailash				72					72*
11	Model Town			48	24	8				80^
12	Vikasपुरi				72					72*
13	Paschim Vihar				32	32				64*
14	Tis Hazari	48								48
15	33, Rajpur Road				24	12				36
16	Siddhrath Extn			32						32
17	Transit Hostel			28						28^
18	45-47 Rajpur Road					20				20
19	Upper Bela Road			8	12					20*
20	Probyn Road					16				16
21	EAC Flat Rajpur Road					12				12
22	5-Court Road					4	7			11
23	Tilar Marg						8			8
24	Court Lane D-II					8				8
25	17, Rajpur Road					15	4			19
26	Maharaja Lane				5					5
27	Asiad Village					4				4
28	Court Lane C-II						4			4
29	Rouse Avenue								1	1
30	Flag Staff Road						2			2
31	5 Rajpur Road						1			1
32	6 Flag Staff Road							1		1
33	1-Commissioner Lane							1		1
34	9 Alipur Road							1		1
35	11 Alipur Road							1		1
36	1B Alipur Road							1		1
37	Northend Road							1		1
38	Mansarovar Park				2					2
39	Rohini			119						119*
40	Motia Khan					62				62
41	Vasant Kunj					36	16			52
42	Dwarka	82	76	180						338
	<b>Total</b>	<b>1988</b>	<b>2955</b>	<b>1105</b>	<b>587</b>	<b>229</b>	<b>42</b>	<b>6</b>	<b>1</b>	<b>6913</b>

(^) In 1986 flats at four locations the rate of water charges not fixed

(\*) In 3892 flats at 10 localities the rate of water charges fixed in September 1990.

## Appendix 2.5

### (Referred to in para 2.1.10.2) STATUS OF PWD SHOPS IN SUBWAYS (position as on February 2011)

S. No.	Name of Subway	Year of construction	Number of shops vacant
1.	South Extension	2002	22
2.	AIIMS	2003	9
3.	Safdarjung Hospital	2003	8
4.	Hyatt Regency	2001	2
5.	Mall Road Extension-2 (in and out gate) Sabzi Mandi, Azadpur)	2003	7
6.	Munirka Market	1999	4
7.	Saraswati Vihar	1988	9
8.	Nehru Place	2001	1
9.	Soaminagar	1998	7
10.	Bhikaji Cama Place	2001	4
11.	Lajpat Nagar – Defence Colony	2001	4
12.	Andrews Ganj Central School	2005	16
		<b>Total</b>	<b>93</b>

#### STATUS OF OFFICES

S. No.	Location	Year of construction	Number of shops vacant
1.	On Mall Road Extension opposite 'IN' Gate of Azadpur	2003	11
2.	On Mall Road Extension opposite 'OUT' Gate of Azadpur	2003	11
		<b>Total</b>	<b>22</b>

#### STATUS OF OTHER PWD SHOPS : SNACK COUNTER

S. No.	Location	Year of construction	Number of shops vacant
1.	Under ISBT Flyover	Not available	2
2.	At Timarpur	Not available	1
		<b>Total</b>	<b>3</b>

# Appendix 5.1

(Referred to in paragraph 5.1.6)  
Statement showing particulars of up to date paid-up capital,  
loans outstanding and manpower as on 31 March 2010 in respect of  
Government companies and Statutory corporations

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

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital <sup>1</sup>			Loans <sup>2</sup> outstanding at the close of 2009-10			Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees)		
				State Government	Central Government	Others	Total	State Government	Central Government			Others	Total
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
<b>A. Working Government companies</b>													
<b>FINANCE</b>													
1.	Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited	Welfare	January 1983	29.49	11.88	-	41.37	2.49	-	-	2.49	0.06:1 (0.07:1)	173
<b>Sector wise total</b>				29.49	11.88	-	41.37	2.49	-	-	2.49	0.06:1 (0.07:1)	173
<b>INFRASTRUCTURE</b>													
2.	Delhi State Industrial & Infrastructure Development Corporation Limited	Industry	February 1971	22.15	-	-	22.15	-	-	-	-	-	1683
3.	Shahjahanabad Redevelopment Corporation	Urban Development	May 2008	0.00*	-	-	0.00*	-	-	-	-	-	7
<b>Sector wise total</b>				22.15	-	-	22.15	-	-	-	-	-	1690
<b>POWER</b>													
4.	Delhi Power Company Limited	Power	July 2001	0.05	-	-	0.05	31.36	-	370.00	401.36	8027.20:1 (744.60:1)	NA
5.	Delhi Transco Limited	Power	July 2001	3452.00	-	180.00	3632.00	414.38	-	633.22	1047.60	0.29:1 (0.17:1)	1746
6.	Indraprastha Power Generation Company Limited	Power	July 2001	497.54	-	140.00	637.54	143.38	-	128.33	271.71	0.43:1 (0.52:1)	1323
7.	Pragati Power Corporation Limited	Power	January 2001	1424.19	-	-	1424.19	-	-	843.23	843.23	0.59:1 (0.23:1)	102
<b>Sector wise total</b>				5373.78	-	320.00	5693.78	589.12	-	1974.78	2563.90	0.45:1 (0.23:1)	3171

\* paid up capital is ₹700 only.

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorporation	Paid-up Capital <sup>§</sup>			Loans outstanding at the close of 2009-10			Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees)		
				State Government	Central Government	Others	Total	State Government	Central Government			Others	Total
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
SERVICES													
8.	Delhi State Civil Supplies Corporation Limited	Public Distribution	November 1980	7.00	-	-	7.00	2.14	-	-	2.14	0.31:1 (0.31:1)	729
9.	Delhi Tourism and Transportation Development Corporation Limited	Tourism	December 1975	6.28	-	-	6.28	-	-	-	-	-	898
10.	Geospatial Delhi Limited		May 2008	10.76	-	-	10.76	-	-	-	-	-	2
Sector wise total				24.04	-	0.00	24.04	2.14	-	-	2.14	0.09:1 (0.09:1)	1629
Total A (All sector wise working Government companies)				5449.46	11.88	320.00	5781.34	593.75	-	1974.78	2568.53	0.44:1 (0.22:1)	6663
B. Working Statutory corporations													
FINANCE													
11.	Delhi Financial Corporation	Finance	April 1967	18.05	-	8.01	26.06	-	-	39.67	39.67	1.52:1 (1.77:1)	129
Sector wise total				18.05	-	8.01	26.06	-	-	39.67	39.67	1.52:1 (1.77:1)	129
TRANSPORT													
12.	Delhi Transport Corporation	Transport	November 1971	1364.30	-	-	1364.30	9547.54	-	-	9547.54	7.00:1 (10.17:1)	29161
Sector wise total				1364.30	-	-	1364.30	9547.54	-	-	9547.54	7.00:1 (10.17:1)	29161
Total B (All sector wise working Statutory corporations)				1382.35	-	8.01	1390.36	9547.54	-	39.67	9587.21	6.90:1 (9.88:1)	29290
Grand Total (A + B)				6831.81	11.88	328.01	7171.70	10141.29	-	2014.45	12155.74	1.69:1 (1.36:1)	35953

§ Paid-up capital includes share application money.

\*\* Loans outstanding at the close of 2009-10 represent long-term loans only.

# Appendix 5.2

(Referred to in paragraph 5.1.14)  
Summarised financial results of Government companies  
and Statutory corporations for the latest year for which  
accounts were finalised

(Figures in column 5 (a) to (6) and (8) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+) / Loss (-)		Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed <sup>6</sup>	Return on capital employed <sup>6</sup>	Percentage return on capital employed		
				Net Profit/ Loss before Interest & Depreciation	5 (a)								5 (b)	5 (c)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)			
A. Working Government Companies														
FINANCE														
1.	Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited	2002-03	2010-11	2.75	0.38	0.21	2.16	11.37	89.75	25.92	21.93	54.15	2.54	4.69
<b>Sector wise total</b>				<b>2.75</b>	<b>0.38</b>	<b>0.21</b>	<b>2.16</b>	<b>11.37</b>	<b>89.75</b>	<b>25.92</b>	<b>21.93</b>	<b>54.15</b>	<b>2.54</b>	<b>4.69</b>
INFRASTRUCTURE														
2.	Delhi State Industrial & Infrastructure Development Corporation Limited	2008-09	2009-10	18.33	0.09	1.39	16.85	409.62	143.67	22.15	42.36	73.02	16.94	23.20
3.	Shahjahanabad Redevelopment Corporation ▲	2009-10	2010-11	(-0.22)	0.00	0.00	(-0.22)	0.00	1.00	0.00	(-0.22)	0.82	(-0.22)	-
<b>Sector wise total</b>				<b>18.11</b>	<b>0.09</b>	<b>1.39</b>	<b>16.63</b>	<b>409.62</b>	<b>144.67</b>	<b>22.15</b>	<b>42.14</b>	<b>73.84</b>	<b>16.72</b>	<b>22.64</b>
POWER														
4.	Delhi Power Company Limited	2009-10	2010-11	276.38	216.94	0.04	59.40	NIL	38.32	0.05	(-1396.47)	(-1780.62)	276.34	-
5.	Delhi Transco Limited	2009-10	2010-11	196.75	51.78	51.88	93.09	336.13	00.00	3632.00	(-3505.52)	1219.49	144.87	11.88
6.	Indraprastha Power Generation Company Limited	2009-10	2010-11	193.73	39.21	33.85	120.67	865.78	00.00	637.54	(-115.99)	652.75	159.88	24.49
7.	Pragati Power Corporation Limited	2009-10	2010-11	226.98	24.29	55.35	147.34	500.70	00.00	1424.19	500.96	2894.53	171.63	5.93
<b>Sector wise total</b>				<b>893.84</b>	<b>332.22</b>	<b>141.12</b>	<b>490.50</b>	<b>1702.61</b>	<b>38.32</b>	<b>5693.78</b>	<b>(-8447.02)</b>	<b>2986.15</b>	<b>752.72</b>	<b>25.21</b>

▲ SRC has a paid up capital of ₹ 700 only, interest of ₹ 2876, Depreciation ₹ 4443 and Turnover of ₹ 25452 only

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit/Loss before Interest & Depreciation	Net Profit/Interest	Net Profit (+)/Loss (-)	Depreciation	Net Profit/Loss (before tax)	Turnover	Impact of Accounts Comments #	Paid up Capital	Accumulated Profit (+)/Loss (-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICES															
8.	Delhi State Civil Supplies Corporation Limited	2009-10	2010-11	(-1)26	-	1.07	1.07	(-2)33	844.22	14.35	7.00	10.13	22.56	(-)2.33	-
9.	Delhi Tourism and Transportation Development Corporation Limited	2009-10	2010-11	10.95	-	1.50	1.50	9.45	739.27	2.51	6.28	0.02	80.76	9.45	11.70
10.	Geospatial Delhi Limited	2009-10	2010-11	(-)0.01	0.00	0.09	0.09	(-)0.10	0.01	0.00	10.76	(-)0.10	19.80	(-)0.10	-
<b>Sector wise total</b>															
Total A (All sector wise working Government companies)				924.38	332.69	145.38	145.38	446.31	3707.10	289.60	5765.89	(-)4342.90	3237.26	779.00	24.06
<b>B. Working Statutory corporations</b>															
FINANCE															
11.	Delhi Financial Corporation	2009-10	2010-11	9.24	3.50	0.45	0.45	5.29	10.52	0.26	26.06	2.92	113.17	8.79	7.77
Sector wise total				9.24	3.50	0.45	0.45	5.29	10.52	0.26	26.06	2.92	113.17	8.79	7.77
TRANSPORT															
12.	Delhi Transport Corporation	2009-10*	2010-11	(-)683.59	1277.81	81.33	81.33	(-)2042.73	470.70	565.13	1364.30	(-)9926.68	1438.27	(-)764.92	-
Sector wise total				(-)683.59	1277.81	81.33	81.33	(-)2042.73	470.70	565.13	1364.30	(-)9926.68	1438.27	(-)764.92	-
Total B (All sector wise working Statutory corporations)				(-)674.35	1281.31	81.78	81.78	(-)2037.44	481.22	565.39	1390.36	(-)9923.76	1551.44	(-)756.13	-
Grand Total (A + B)				250.03	1614.00	227.16	227.16	(-)1591.13	4188.32	854.99	7156.25	(-)14266.66	4788.70	22.87	0.48

# Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses. As regards DTC the impact is for 2008-09 accounts.

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

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

\* Finalised in December 2010.

# Appendix 5.3

(Referred to in paragraph 5.1.9)  
Statement showing equity/ loans received out of budget, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2010

**(Figures in column 3 (a) to 6 (d) are ₹ in crore)**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year <sup>@</sup>		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
<b>A. Working Government Companies</b>													
<b>FINANCE</b>													
1.	Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited	6.00	-	-	0.64	-	0.64	-	-	-	-	-	-
<b>Sector wise total</b>		<b>6.00</b>	<b>-</b>	<b>-</b>	<b>0.64</b>	<b>-</b>	<b>0.64</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INFRASTRUCTURE</b>													
2.	Shalijanabad Redevelopment Corporation	-	-	-	1.00	-	1.00	-	-	-	-	-	-
<b>Sector wise total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1.00</b>	<b>-</b>	<b>1.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>POWER</b>													
3.	Indraprastha Power Generation Company Limited	-	-	-	75.00	-	75.00	-	-	-	-	-	-
4.	Delhi Transco Limited	-	-	-	-	-	-	633.22	-	-	-	-	-
<b>Sector wise total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>75.00</b>	<b>-</b>	<b>75.00</b>	<b>633.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>SERVICES</b>													
4.	Delhi State Civil Supplies Corporation Limited	-	-	-	2.31	-	2.31	-	-	-	-	-	-
5.	Delhi Tourism and Transportation Development Corporation Limited	-	-	0.35	4.07	-	4.42	-	-	-	-	-	-
<b>Sector wise total</b>		<b>-</b>	<b>-</b>	<b>0.35</b>	<b>6.38</b>	<b>-</b>	<b>6.73</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Appendix

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year <sup>@</sup>		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	Total A (All sector wise working Government companies)	6.00	-	0.35	83.02	-	83.37	633.22	-	-	-	-	-
	B. Working Statutory corporations												
	FINANCE												
1.	Delhi Financial Corporation	0.06	-	-	-	-	-	-	-	-	-	-	-
	<b>Sector wise total</b>	<b>0.06</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	TRANSPORT												
2.	Delhi Transport Corporation	620.00	1981.28	-	78.16	-	78.16	-	-	-	-	-	-
	<b>Sector wise total</b>	<b>620.00</b>	<b>1981.28</b>	<b>-</b>	<b>78.16</b>	<b>-</b>	<b>78.16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total B (All sector wise working Statutory corporations)</b>	<b>620.06</b>	<b>1981.28</b>	<b>-</b>	<b>78.16</b>	<b>-</b>	<b>78.16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Grand Total (A + B)</b>	<b>626.06</b>	<b>1981.28</b>	<b>0.35</b>	<b>161.18</b>	<b>-</b>	<b>161.53</b>	<b>633.22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>@</sup> Figures indicate total guarantees outstanding at the end of the year.

# Appendix 5.4

## (Referred to in paragraph 5.1.23) Statement showing investment made by the State Government in PSUs whose accounts are in arrears

(₹ in crore)

Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State government during the years for which the accounts are in arrears			
			Year	Equity	Loans	Grants/ Subsidy
<b>Working Companies/ Corporations</b>						
Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited	2002-03	25.92	2003-04	-	-	0.53
			2004-05	-	-	2.04
			2005-06	1.81	-	0.66
			2006-07	-	0.34	-
			2007-08	7.00	2.15	-
			2008-09	0.64	-	0.36
			2009-10	6.00	-	0.64
<b>Total</b>		<b>25.92</b>		<b>15.45</b>	<b>2.49</b>	<b>4.23</b>

# Appendix 5.5

## (Referred to in paragraph 5.1.14) Statement showing financial position of Statutory corporations for latest three years for which their accounts were finalised

(₹ in crore)

1. Delhi Transport Corporation			
Particulars	2007-08	2008-09	2009-10
<b>A. Liabilities</b>			
Capital (including capital loan & equity capital)	494.30	744.30	1364.30
Borrowings: Government	6111.13	7725.97	9668.35
Others			
Funds* (Reserve and Surplus)	103.70	152.58	162.28
Grant-in-aid	54.15	127.76	172.11
Trade dues and other current liabilities (including provisions)	207.59	189.33	715.34
<b>Total</b>	<b>6970.87</b>	<b>8939.94</b>	<b>12082.38</b>
<b>B. Assets</b>			
Gross Block	692.90	875.68	1518.41
Less: Depreciation	436.12	488.28	521.41
Net fixed assets	256.78	387.40	997.00
Capital works-in-progress (including cost of chassis)	1.72	32.47	13.86
Investments	1.69	1.86	2.09
Current assets, loans and advances	524.42	634.26	1142.75
Accumulated losses	6186.26	7883.95	9926.68
<b>Total</b>	<b>6970.87</b>	<b>8939.94</b>	<b>12082.38</b>
<b>Capital employed#</b>	<b>575.33</b>	<b>864.80</b>	<b>1438.27</b>
2. Delhi Financial Corporation			
Particulars	2007-08	2008-09	2009-10
<b>A. Liabilities</b>			
Paid-up capital	25.08	25.88	25.88
Share application money	0.86	0.12	0.18
Reserve fund and other reserves and surplus	48.69	43.94	45.10

\* Excluding depreciation funds/ reserve

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

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

Borrowings:			
(i) Bonds and debentures	-	-	-
(ii) Industrial Development Bank of India & Small Industries Development Bank of India	58.14	45.91	39.67
Other Liabilities and provisions	19.77	26.63	28.37
<b>Total-A</b>	<b>152.54</b>	<b>142.48</b>	<b>139.20</b>
<b>B. Assets</b>			
Cash and Bank balances	34.01	42.24	45.77
Investments	0.01	0.01	0.01
Loans and Advances	100.39	81.92	74.88
Net fixed assets	4.19	3.72	4.16
Other assets	13.94	14.59	14.38
Miscellaneous expenditure	-	-	
<b>Total-B</b>	<b>152.54</b>	<b>142.48</b>	<b>139.20</b>
<b>C. Capital employed*</b>	<b>138.65</b>	<b>123.97</b>	<b>113.17</b>

# Appendix 5.6

## (Referred to in paragraph 5.1.14) Statement showing working results of Statutory corporations for latest three years for which their accounts were finalised

(₹ in crore)

1	Delhi Transport Corporation			
	Particulars	2007-08	2008-09	2009-10
	Operating			
	(a) Revenue	354.05	368.00	470.70
	(b) Expenditure	801.75	1108.85	1335.45
	(c) Surplus (+)/Deficit (-)	(-447.70)	(-740.85)	(-864.75)
	Non-operating			
	(a) Revenue	58.44	97.97	99.93
	(b) Expenditure	826.55	1065.67	1278.97
	(c) Surplus (+)/Deficit (-)	(-768.11)	(-967.70)	(-1179.04)
	<b>Total</b>			
	(a) Revenue	412.49	465.97	570.63
	(b) Expenditure	1628.30	2174.52	2614.42
	(c) Prior period adjustments	(-7.17)	10.86	1.06
	(d) Net Profit (+)/Loss (-)	(-1222.98)	(-1697.69)	(-2042.73)
	Interest on capital and loans	827.73	1065.34	1277.81
	Total return on Capital employed ♣	(-395.25)	(-632.35)	(-764.92)
2.	<b>Delhi Financial Corporation</b>			
	<b>Particulars</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
	1. Income			
	(a) Interest on Loans	17.16	12.58	10.52
	(b) Other income	3.55	3.74	3.63
	<b>Total-1</b>	<b>20.71</b>	<b>16.32</b>	<b>14.15</b>
	2. Expenses			
	(a) Interest on long-term loans	5.55	4.39	3.50
	(b) Other expenses	7.05	10.05	10.39
	(c) Exceptional items written back	-	-	(-) 5.03
	<b>Total-2</b>	<b>12.60</b>	<b>14.44</b>	<b>8.86</b>

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

3.	Profit before tax (1-2)	8.11	1.88	5.29
4.	Provision for tax	2.28	0.57	0.07
5.	Other appropriations	5.78	5.73	3.00
6.	Amount available for dividend	0.05	-	2.22
7.	Dividend	0.05	-	0.14
8.	Total return on Capital employed	13.66	6.56	8.79
9.	Percentage of return on Capital employed	9.85	5.29	7.77

# Appendix 5.7

## (Referred to in paragraph 5.2.6) Statement showing Financial Position of the Indraprastha Power Generation Company Limited

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
<b>A. Liabilities</b>					
Paid up Capital	140.00	140.00	140.00	140.00	637.54
Advance against Equity	-	-	497.54	497.54	-
<b>Total</b>	<b>140.00</b>	<b>140.00</b>	<b>637.54</b>	<b>637.54</b>	<b>637.54</b>
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	-	150.00	-	-	-
Borrowings (Loan Funds) *					-
Secured	210.00	222.60	251.14	238.28	128.33
Unsecured	182.28	238.30	215.88	225.48	234.21
Current Liabilities & Provisions	145.62	142.37	231.58	237.89	198.19
<b>Total</b>	<b>677.90</b>	<b>893.27</b>	<b>1336.14</b>	<b>1339.19</b>	<b>1198.27</b>
<b>B. Assets</b>					
Gross Block	583.61	612.49	644.22	668.19	691.78
Less: Depreciation	279.50	312.26	349.08	384.97	416.95
Net Fixed Assets	304.11	300.23	295.14	283.22	274.83
Capital works-in-progress	1.61	0.70	12.67	14.39	2.39
Investments	-	0.76	229.26	229.31	329.88
Current Assets, Loans and Advances	237.65	427.52	619.28	691.61	573.71
Miscellaneous expenditure (to the extent not written off)	0.21	-	-	-	1.47
Accumulated Losses	134.32	164.06	179.79	120.66	15.99
<b>Total</b>	<b>677.90</b>	<b>893.27</b>	<b>1336.14</b>	<b>1339.19</b>	<b>1198.27</b>
<b>Debt : Equity Ratio</b>	<b>2.80:1</b>	<b>3.29:1</b>	<b>0.73:1</b>	<b>0.73:1</b>	<b>0.57:1</b>

\* including interest accrued and due.

# Appendix 5.8

## (Referred to in paragraph 5.2.6) Statement showing Working Results of the Indraprastha Power Generation Company Limited

(₹ in crore)

Sl No	Description	2005-06	2006-07	2007-08	2008-09	2009-10
<b>1</b>	<b>Income</b>					
	Generation Revenue	626.62	663.68	732.18	866.55	865.78
	Other income including interest/subsidy	3.60	7.59	26.35	34.90	64.78
	<b>Total Income</b>	<b>630.22</b>	<b>671.27</b>	<b>758.53</b>	<b>901.45</b>	<b>930.56</b>
<b>2</b>	<b>Generation</b>					
	Total generation (MUs)	3307.18	2999.45	3205.63	3112.39	2591.76
	Less : Auxiliary Consumption (MUs)	279.56	264.46	282.80	300.18	78.42
	Less : HVPNL Share(MUs) <sup>1</sup>	228.01	248.87	277.37	247.32	120.52
	<b>Total generation available for Transmission &amp; Distribution (In MUs)</b>	<b>2799.61</b>	<b>2486.12</b>	<b>2645.46</b>	<b>2564.89</b>	<b>2392.82</b>
<b>3</b>	<b>Expenditure</b>					
<b>(a)</b>	<b>Fixed Cost</b>					
	(i) Employees cost	47.81	47.57	63.84	83.40	75.45
	(ii) Administrative & General Expenses	14.14	7.83	13.72	14.13	20.05
	(iii) Depreciation	30.21	32.89	39.80	36.03	33.85
	(iv) Interest & Finance Charges	25.65	51.34	56.96	57.81	47.48
	<b>Total fixed cost</b>	<b>117.81</b>	<b>139.63</b>	<b>174.32</b>	<b>191.37</b>	<b>176.83</b>
<b>(b)</b>	<b>Variable Cost</b>					
	(i) Fuel Consumption					
	(a) Coal	282.14	288.29	348.14	359.73	235.75
	(b) Oil	33.68	36.29	32.73	54.75	64.84
	(c) Gas	263.88	238.93	222.66	247.12	303.47
	(d) Naptha	0.00	0.00	0.00	0.00	0.00
	(e) Other fuel related cost including shortages/surplus	0.00	0.00	0.00	0.00	0.00
	(f) Less: Recoverable (HVPNL share)	55.08	57.40	68.87	65.68	28.35
	ii) Lubricants & consumables	26.22	25.19	42.94	31.32	33.33
	(iii) Depreciation & maintenance	13.50	23.91	19.36	17.83	23.50
	<b>Total Variable cost</b>	<b>564.34</b>	<b>555.21</b>	<b>596.96</b>	<b>645.07</b>	<b>632.54</b>
<b>(c)</b>	<b>Total cost 3(a) + (b)</b>	<b>682.15</b>	<b>694.84</b>	<b>771.28</b>	<b>836.44</b>	<b>809.37</b>
4	Realisation (per unit) (Rupees) (gen. revenue/total gen available for T&D*10)	2.24	2.67	2.77	3.38	3.62
5	Fixed Cost (per unit) (Rupees) (fixed cost/total generation available for T&D*10)	0.42	0.56	0.66	0.75	0.74
6	Variable Cost (per unit) (Rupees) (variable cost/total generation available for T&D*10)	2.02	2.23	2.26	2.52	2.64
7	Total Cost per unit (5+6)	2.44	2.79	2.92	3.27	3.38
8	Contribution per unit (4-6)	0.22	0.44	0.51	0.86	0.98
<b>9</b>	<b>Profit(+)/(Loss)(-) (4-7)</b>	<b>-0.20</b>	<b>-0.12</b>	<b>-0.15</b>	<b>0.11</b>	<b>0.24</b>

1 Haryana Vidyut Parsaran Nigam Limited.



# Appendix 5.9

## (Referred to in paragraph 5.2.6) Statement showing Financial Position of the Pragati Power Corporation Limited

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
<b>A. Liabilities</b>					
Paid up Capital	0.05	323.19	324.19	1424.19	1424.19
Advance against share capital	323.14	1.00	635.50	-	-
<b>Total</b>	<b>323.19</b>	<b>324.19</b>	<b>959.69</b>	<b>1424.19</b>	<b>1424.19</b>
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	171.08	263.88	365.20	500.43	594.96
Borrowings (Loan Funds)	-	-	-	-	-
Secured	-	-	-	-	590.00
Unsecured	596.70	455.81	388.28	320.76	253.23
Deferred Revenue – Adv against Depreciation	20.52	6.13	17.78	24.97	32.16
Deferred tax liability	29.00	38.00	-	-	-
Current Liabilities & Provisions	80.69	90.75	103.11	120.37	470.55
<b>Total</b>	<b>1221.18</b>	<b>1178.76</b>	<b>1834.06</b>	<b>2390.72</b>	<b>3365.09</b>
<b>B. Assets</b>					
Gross Block	1015.88	1031.57	1031.58	1035.68	1050.00
Less: Depreciation	181.32	235.10	288.07	341.30	396.74
Net Fixed Assets	834.56	796.47	743.51	694.38	653.26
Capital works-in-progress	-	2.52 <sup>2</sup>	6.26	519.95	2269.08
Current Assets, Loans and Advances	386.27 <sup>3</sup>	379.77	1084.29	1176.39	442.75
Miscellaneous expenditure (to the extent not written off)	0.35	-	-	-	-
<b>Total</b>	<b>1221.18</b>	<b>1178.76</b>	<b>1834.06</b>	<b>2390.72</b>	<b>3365.09</b>
<b>Debt : Equity Ratio</b>	<b>1.85:1</b>	<b>1.41:1</b>	<b>0.40:1</b>	<b>0.23:1</b>	<b>0.59:1</b>

2 Incidental expenditure pending allocation to project

3 Includes ₹ 288.90 crore, ₹ 285.80 crore, ₹ 981.85 crore, ₹ 1052.30 crore and ₹ 285.92 crore for 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 respectively as Term deposits with schedule banks.

# Appendix 5.10

## (Referred to in paragraph 5.2.6) Statement showing Working Results of the Pragati Power Corporation Limited

(₹ in crore)

SI No	Description	2005-06	2006-07	2007-08	2008-09	2009-10
<b>1</b>	<b>Income</b>					
	Generation Revenue	459.48	479.29	424.94	524.74	500.70
	Other income including interest/subsidy	18.90	31.67	50.40	99.95	48.15
	<b>Total Income</b>	<b>478.38</b>	<b>510.96</b>	<b>475.34</b>	<b>624.69</b>	<b>548.85</b>
<b>2</b>	<b>Generation</b>					
	(i) Total generation (MUs)	2299.09	2254.63	2366.74	2401.34	2452.93
	(ii) Less : Auxiliary Consumption (MUs)	72.12	64.24	67.18	64.56	66.69
	<b>Total generation available for Transmission &amp; Distribution (In MUs) (i + ii)</b>	<b>2226.97</b>	<b>2190.39</b>	<b>2299.56</b>	<b>2336.78</b>	<b>2386.24</b>
<b>3</b>	<b>Expenditure</b>					
<b>(a)</b>	<b>Fixed Cost</b>					
	(i) Employees cost	10.86	11.84	16.59	23.48	16.45
	(ii) Administrative & General Expenses	9.92	10.55	10.15	11.50	10.35
	(iii) Depreciation	51.97	53.85	52.97	53.23	55.35
	(iv) Interest & Finance Charges	65.02	34.92	28.54	38.42	30.02
	<b>Total fixed cost</b>	<b>137.77</b>	<b>111.16</b>	<b>108.25</b>	<b>126.63</b>	<b>112.17</b>
<b>(b)</b>	<b>Variable Cost</b>					
	(i) Fuel Consumption					
	(a) Coal	0.00	0.00	0.00	0.00	0.00
	(b) Oil	0.00	0.00	0.00	0.00	0.00
	(c) Gas	223.21	237.46	235.62	286.05	267.60
	(d) Naptha	0.00	0.00	0.00	0.00	0.00
	(ii) Lubricants & consumables	37.89	17.19	28.04	6.82	9.76
	(iii) Depreciation & maintenance	8.35	6.90	7.18	7.90	11.94
	<b>Total Variable cost</b>	<b>269.45</b>	<b>261.55</b>	<b>270.84</b>	<b>300.77</b>	<b>289.30</b>
<b>(c)</b>	<b>Total cost 3(a) + (b)</b>	<b>407.22</b>	<b>372.71</b>	<b>379.09</b>	<b>427.40</b>	<b>401.47</b>
4	Realisation (per unit) (Rupees) (gen. revenue/total gen available for T&D*10)	2.06	2.19	1.85	2.25	2.10
5	Fixed Cost (per unit) (Rupees) (fixed cost/total generation available for T&D*10)	0.62	0.51	0.47	0.54	0.47
6	Variable Cost (per unit) (Rupees) (variable cost/total generation available for T&D*10)	1.21	1.19	1.18	1.29	1.21
7	Total Cost per unit (5+6)	1.83	1.70	1.65	1.83	1.68
8	Contribution per unit (4-6)	0.85	1.00	0.67	0.96	0.89
9	<b>Profit (+)/(Loss) (-) (4-7)</b>	<b>0.23</b>	<b>0.49</b>	<b>0.20</b>	<b>0.42</b>	<b>0.42</b>

# Appendix 5.11

## (Referred to in Paragraph 5.2.11 and 5.2.15) Statement showing Operational Performance of the Indraprastha Power Generation Company Limited

### Rajghat Power Station

Sl. No.	Particulars	Unit	2005-06	2006-07	2007-08	2008-09	2009-10
1	Installed Capacity	MW	135	135	135	135	135
2	Total hrs available in a year	Hrs	17520	17520	17568	17520	17520
3	Actual Running hrs	Hrs	13233	10677	15165	16244	12913
	Actual Plant Availability						
4	Factor	%	75.53	60.94	86.32	92.72	73.71
5	Actual generation	MU	574.36	634.92	897.76	877.04	645.13
6	Possible generation with reference to hrs actually run	MU	893.24	720.70	1023.64	1096.47	871.63
7	Shortfall in generation (6- 5)	MU	318.88	85.78	125.88	219.43	226.50
8	Percentage of actual generation to possible generation (5/6 x 100)	%	64.30	88.10	87.70	79.99	74.01
9	Plant Load Factor (Actual)	%	48.57	53.69	75.71	74.16	54.55
10	PLF fixed by DERC	%	73.65	67.60	70.00	70.00	70.00
11	Plant availability factor at national level	%	81.78	83.72	84.76	85.05	NA
12	Overall PLF at National Level	%	73.60	76.80	78.60	77.19	76.65
13	Overall PLF of state sector generating co.	%	67.30	70.84	72.09	NA	NA
14	Variable cost of generation allowed by DERC in tariff order	₹	1.68	1.9179	1.9179	1.9179	1.9179
<b>15</b>	<b>Estimated loss due to shortfall (₹ In crore) (7 x 14)</b>		<b>53.57</b>	<b>16.45</b>	<b>24.14</b>	<b>42.08</b>	<b>43.44</b>

**Gas Turbine Power Station**

Sl. No.	Particulars	Unit	2005-06	2006-07	2007-08	2008-09	2009-10
1	Installed Capacity	MW	282	282	282	270	270
2	Total hrs available in a year	Hrs	78840	78840	79056	78840	78840
3	Actual Running hrs	Hrs	69987.02	58744.62	50789.25	55521.06	65751.30
4	Actual Plant Availability Factor	%	88.77	74.51	64.24	70.42	83.40
5	Actual generation	MU	1748.08	1412.22	1280.36	1280.37	1497.74
6	Possible generation with reference to hrs actually run	MU	2193.08	1802.00	1567.49	1696.76	1972.54
7	Shortfall in generation (6- 5)	MU	445.00	389.78	287.13	416.39	474.80
8	Percentage of actual generation to possible generation (5/6 x 100)	%	79.71	78.37	81.68	75.46	75.93
9	Plant Load Factor (Actual)	%	70.76	57.17	51.69	53.05	63.32
10	PLF fixed by DERC	%	70.00	70.00	70.00	70.00	70.00
11	Plant availability factor at national level	%	81.78	83.72	84.76	85.05	NA
12	Overall PLF at National Level	%	73.60	76.80	78.60	77.19	76.65
13	Overall PLF of state sector generating co.	%	67.30	70.84	72.09	NA	NA
14	Variable cost of generation allowed by DERC in tariff order	₹	1.53	1.58	1.65	1.72	1.72
<b>15</b>	<b>Estimated loss due to shortfall (₹ In crore) (7 x 14)</b>		<b>68.09</b>	<b>61.59</b>	<b>47.38</b>	<b>71.62</b>	<b>81.67</b>

## Indraprastha Station

Sl. No.	Particulars	Unit	2005-06	2006-07	2007-08	2008-09	2009-10
1	Installed Capacity	MW	247.5	247.5	247.5	247.5	247.5
2	Total hrs available in a year	Hrs	35040	35040	35136	35040	26400
3	Actual Running hrs	Hrs	26871.08	26184.54	25821.24	25551.80	13327.86
4	Actual Plant Availability Factor	%	76.58	74.81	73.89	73.10	50.71
5	Actual generation	MU	984.75	952.31	1027.51	954.98	448.71
6	Possible generation with reference to hrs actually run	MU	1660.25	1621.95	1606.36	1584.81	828.37
7	Shortfall in generation (6- 5)	MU	675.50	669.64	578.85	629.83	379.66
8	Percentage of actual generation to possible generation (5/6 x 100)	%	59.31	58.71	63.97	60.26	54.17
9	Plant Load Factor (Actual)	%	45.42	43.92	47.26	44.05	27.47
10	PLF fixed by DERC	%	46.10	43.80	45.00	45.00	45.00
11	Plant availability factor at national level	%	81.78	83.72	84.76	85.05	NA
12	Overall PLF at National Level	%	73.6	76.8	78.6	77.19	76.65
13	Overall PLF of state sector generating co.	%	67.3	70.84	72.09	NA	NA
14	Variable cost of generation allowed by DERC in tariff order	₹	1.79	2.09	2.09	2.09	2.09
15	<b>Estimated loss due to shortfall (₹ In crore) (7 x 14)</b>		<b>120.91</b>	<b>139.95</b>	<b>120.98</b>	<b>131.63</b>	<b>79.35</b>

# Appendix 5.12

## (Referred to in Paragraph 5.2.11 and 5.2.15) Statement showing Operational Performance of the Pragati Power Corporation Limited

### Pragati Power Station

Sl. No.	Particulars	Unit	2005-06	2006-07	2007-08	2008-09	2009-10
1	Installed Capacity	MW	330	330	330	330	330
2	Total hrs available in a year	Hrs	26280	26280	26352	26280	26280
3	Actual Running hrs	Hrs	24237.57	23697.00	24567.48	24083.35	24734.15
4	Actual Plant Availability Factor	%	92.23	90.17	93.23	91.64	94.12
5	Actual generation	MU	2299.09	2254.63	2366.74	2401.34	2452.94
6	Possible generation with reference to hrs actually run	MU	2675.56	2602.07	2701.06	2646.85	2727.40
7	Shortfall in generation (6 - 5)	MU	376.47	347.44	334.32	245.51	274.46
8	Percentage of actual generation to possible generation (5/6 x 100)	%	85.93	86.65	87.62	90.72	89.94
9	Plant Load Factor (Actual)	%	79.53	77.99	81.65	83.07	84.85
10	PLF fixed by DERC	%	79.42	77.94	80.00	80.00	80.00
11	Plant availability factor at national level	%	81.78	83.72	84.76	85.05	NA
12	Overall PLF at National Level	%	73.60	76.80	78.60	77.19	76.65
13	Overall PLF of state sector generating co.	%	67.30	70.84	72.09	NA	NA
14	Variable cost of generation allowed by DERC in tariff order	₹	1.01	1.05	0.9596	0.9596	0.9596
15	<b>Estimated loss due to shortfall (₹ In crore) (7 x 14)</b>	₹	<b>38.02</b>	<b>36.48</b>	<b>32.08</b>	<b>23.56</b>	<b>26.34</b>

# Appendix 5.13

## (Referred to in Paragraph 5.2.13) Statement showing year-wise excess consumption of fuel in the Indraprastha Power Generation Company Limited

### A. Excess consumption of Coal in Raighat Power Station

Sl No.	Particular	2005-06	2006-07	2007-08	2008-09	2009-10
1	Gross generation (MU)	574.36	634.92	897.76	877.05	645.13
2	Heat Consumption allowed by DERC (K.Cal/Kwh)	3200	3200	3200	3200	3200
3	Actual heat consumption (K.cal/Kwh)	3479	3200	3018.3	3193	3707
4	Average Calorific Value of coal (K.cal/Kg) allowed by DERC	3875	3808	3808	3808	3808
5	Coal to be consumed per unit as per DERC norms (Kg/Kwh) (2 / 4)	0.826	0.840	0.840	0.840	0.840
6	Actual coal consumption per unit per Kg	0.873	0.827	0.797	0.867	0.979
7	Actual Coal Consumption (MT)	501321.94	524781.74	715582.01	760265.32	631290.07
8	Coal required for gross generation as per norms(MT)	474306.06	533548.74	754423.53	737012.18	542126.68
9	Excess consumption of coal (MT)	27015.88	-	-	23253.14	89163.39
10	Rate of coal per MT (₹ in crore)	1929.00	-	-	1889.38	1889.38
11	Value of excess coal consumed (₹ in crore)	5.21	-	-	4.39	16.85
<b>Total value of excess consumption</b>		<b>26.45 crore</b>				

### B. Excess consumption of Gas in Gas Turbine Power Station

Sl No.	Particular	2005-06	2006-07	2007-08	2008-09	2009-10
1	Gross generation (MU)	1748.07	1412.22	1280.36	1280.37	1497.74
2	Heat Consumption allowed by DERC (K.cal/Kwh)	2450	2450	2450	2450	2450
3	Actual heat consumption (K.cal/Kwh)	2493.94	2734.48	2840.69	2697.23	2626.10
4	Gas to be consume per unit as per norms allowed by DERC (scm/Kwh)	0.264	0.264	0.264	0.264	0.264
5	Gas consumed per unit (scm/Kwh)	0.268	0.292	0.304	0.282	0.272
6	Gas Consumption (scm)	468094805	412573690	389222925	361078152	407711033
7	Gas required for gross generation (scm)	461492592	372824760	338013920	338016360	395402304
8	Excess consumption of gas (scm)	6602213	39748930	51209005	23061792	12308729
9	Rate of gas per scm (₹)	5.67	5.81	5.72	6.87	7.52
10	Value of excess gas consumed (₹ in crore)	3.74	23.09	29.29	15.84	9.26
<b>Total value of excess consumption</b>		<b>81.22 crore</b>				

**Total A. + B. = ₹ 26.45 + ₹ 81.22 = ₹ 107.67 crore**

**C. Excess consumption of LSHS in Rajghat Power Station**

SI No.	Particular	2005-06	2006-07	2007-08	2008-09	2009-10
1	Generation (MUs)	574.36	634.92	897.76	877.04	645.13
2	Norms of consumption of LSHS fixed by DERC. (g/Kwh)	4.48	3.75	3.75	3.75	3.75
3	Actual consumption (g/Kwh)	7.11	4.28	1.74	1.68	3.59
4	LSHS required as per norms for actual generation (MT)	2573.11	2380.96	3366.62	3288.92	2419.24
5	Actual LSHS consumed (MTs)	4084.44	2720.64	1565.71	1470.18	2276.03
6	Excess consumption (MT)	1511.33	339.68	---	----	----
7	Rate per MT ( ₹)	15609.26	22490.71	22490.71	22490.71	22490.71
8	Value of excess LSHS ₹ (Crore)	2.36	0.76	---	---	---
<b>Total value of excess consumption</b>		<b>3.12 crore</b>				

**D. Excess consumption of LDO in Rajghat Power Station**

SI No.	Particular	2005-06	2006-07	2007-08	2008-09	2009-10
1	Generation (MUs)	574.36	634.92	897.76	877.04	645.13
2	Norms of consumption of LDO fixed by DERC. (ml/Kwh)	1.94	1.5	1.5	1.5	1.5
3	Actual consumption (ml/Kwh)	2.18	1.08	1.22	0.82	2.21
4	LDO required as per norms for actual generation (Kl)	1114.25	952.38	1346.65	1315.56	967.70
5	Actual LDO consumed (Kls)	1253.53	1103.85	1103.71	722.34	1428.06
6	Excess consumption (Kl)	139.28	151.47	---	---	460.36
7	Rate per (Kl) (₹)	25372	29385.44	29385.44	29385.44	29385.44
8	Value of excess LDO ₹ (Crore)	0.35	0.45	----	----	1.35
<b>Total value of excess consumption</b>		<b>2.15 crore</b>				

**Total C. + D. = ₹ 3.12 + ₹ 2.15 = ₹ 5.27 crore**



# Appendix 5.14

## (Referred to in Paragraph 5.2.16) Statement showing year-wise outages in the Indraprastha Power Generation Company Limited

### Gas Turbine Power Station

S.No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Total available hours	78840	78840	79056	78840	78840
2	Actual hour operated	69987	58745	50789	55521	65751
3	Availability rate in <i>per cent</i> (2/1*100)	88.77	74.51	64.24	70.42	83.40
4	Shut down in hrs					
	Planned					
	Hours	2964	1008	1593	996	986
	MUs	93.43	30.59	45.63	29.87	29.57
	Forced					
	Hours	3213	11327	16316	8926	6965
	MUs	101.77	371.39	548.67	297.17	208.96
	System breakdown & others (hrs)	2676	7761	10358	13397	5138
5	Percentage of (to available hours)					
	<b>Planned</b>	<b>3.76</b>	<b>1.28</b>	<b>2.02</b>	<b>1.26</b>	<b>1.25</b>
	<b>Forced</b>	<b>4.08</b>	<b>14.37</b>	<b>20.64</b>	<b>11.32</b>	<b>8.83</b>
	System breakdown & others	3.39	9.84	13.10	16.99	6.52
6	All India availability rate	81.78	83.72	84.76	85.05	NA

### Rajghat Power Station

S.No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Total available hours	17520	17520	17568	17520	17520
2	Actual hour operated	13233	10677	15165	16244	12913
3	Availability rate in <i>per cent</i> (2/1*100)	75.53	60.94	86.32	92.72	73.70
4	Shut down in hrs					
	Planned					
	Hours	3301	4698	843	355	2176
	Mus (Hrs *0.0675)	222.82	317.12	56.90	23.96	146.88
	Forced					
	Hours	986	2146	1560	921	2431
	Mus (Hrs *0.0675)	66.56	144.86	105.30	62.17	164.09
	System breakdown & others (hrs)	----	----	----	----	----
5	Percentage of (to available hours)					
	<b>Planned</b>	<b>18.84</b>	<b>26.82</b>	<b>4.80</b>	<b>2.03</b>	<b>12.42</b>
	<b>Forced</b>	<b>5.63</b>	<b>12.25</b>	<b>8.88</b>	<b>5.26</b>	<b>13.88</b>
	System breakdown & others	0	0	0	0	0
6	All India availability rate	81.78	83.72	84.76	85.05	NA

# Appendix 5.15

## (Referred to in Paragraph 5.2.18) Statement showing loss of generation due to non adherence to maintenance schedule and extra time taken in repair works

Sl. No.	Name of Plant	Nature of Work	Stipulated period as per norms/ order (days/hours)	Delay			Reasons for delay
				Days	MUs	₹ (in crore)	
1.	RTPS	Overhauling of Plant	30/45	28 to 44	116.89	21.14	Non-adherence to time schedule prescribed by Kukde committee and extra time taken by BHEL for which no penalty was levied.
2.	GTPS	Repair of rotor & major overhauling of generator and turbine (ST-2)	75 for finalization of tender and award of work	390	144.14	24.14	Delay in processing, finalizing and award of work order and arbitrary extension of delivery period without imposing penalty.
3.		Major Overhauling and repair of rotor and other parts of STG-1	-	150	129.57	10.54	No detailed investigation was done to ascertain the reason when STG breakdown at 18883 hours for major overhauling against stipulated 50000 hours.
4.		Leakage in Heat Recovery Stream Generators tubes	-	-	104.79 12.40	17.23 2.13	Delay in replacement of leaking tubes and defective replacement respectively.
5.		Major inspection/overhaul of GT-2, GT-3 and GT-6.	30	12, 5 & 12	20.88	3.54	Delay in completion of Major inspection/overhaul within the stipulated time period of overhauling.
6.		Major inspection/overhaul of GT-3, GT-5 and GT-6.	48000	243, 317 & 261.	28.70	4.75	Overhauling conducted after completion of 50000 hours. Delay in undertaking of Major inspection/overhauling resulted in frequent forced outages during the delayed period.
7.		Replacement of Stator bars in GT 6	-	6 months	108	16.85	Non stocking of spare stator bars in stock resulted in loss of six months in arranging the equipment (replacement requiring minimum time of 6 months).
8.	PPCL	Major Inspection of GT-1 & GT-2 along with overhauling of Accessory Gear Box, control and instrumentation job	30	11 & 2	29.86	2.86	Failure to provide lifting device (crane) to the contractor (BHEL) by the company as per terms of the contract with the contractor
9.		Overhauling of GT-1	27	17	38.87	3.73	Delay in completion by contractor (BHEL), however no LD was levied.
<b>Total</b>					<b>734.10</b>	<b>106.91</b>	