

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
Revenue Expenditure									
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
Total	3329.01	6441.52	9770.52	3944.15	7818.43	11762.58	4742.77	9158.12	13900.89
Capital expenditure	3761.36	3.10	3764.46	3992.21	3.19	3995.40	4713.62	3.65	4717.27
Total	7090.37	6444.62	13534.98	7936.36	7821.62	15757.98	9456.39	9161.77	18618.16

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.