

Chapter-III

Compliance Audit

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Department of Education

3.1 Avoidable expenditure of ₹ 1.09 crore

The Directorate of Education failed to take cognizance of Notification exempting payment of service tax by educational institutions for auxiliary services resulting in avoidable expenditure of ₹ 1.09 crore to a firm.

In exercise of powers under Section 93 (1) of the Finance Act, 1994, the Ministry of Finance (Department of Revenue), Government of India, vide its Notification dated 20 June 2012, exempted services provided to or by an educational institution in respect of education by way of (a) auxiliary educational services or (b) renting of immovable property from service tax leviable under Section 66B of the Finance Act, 1994.

The Directorate of Education (the Directorate) entered into an agreement with a firm for Information Technology (IT) related office work/data entry of school records by IT Assistants in 500 government schools for a period of one year from 01 July 2012 to 30 June 2013. Subsequently, the Agreement was extended up to 31 July 2014. According to the terms and conditions of the Agreement, the firm was to provide one IT Assistant in each identified school for the contracted period and the Department was required to pay to the firm a gross monthly amount of ₹ 11,277.09 for each IT Assistant. The annual contract value in respect of 500 IT Assistants was ₹ 6.77 crore which included a component of service tax.

Audit scrutiny of records revealed that the Directorate paid ₹ 9.88 crore to the firm during the period July 2012 to November 2013 for services provided by it under the Agreement which included an amount of ₹ 1.09 crore on account of service tax. Subsequently, the Department stopped paying service tax to the firm from December 2013 after it observed that payment of service tax was not applicable on educational services.

Inclusion of service tax component in the contractual amount to be paid for IT Assistants resulted in avoidable payment of ₹ 1.09 crore on outsourced services which were exempt from the service tax under the Notification of June 2012.

On its being pointed out, the Directorate stated (January 2016) that the Agreement was signed with the prior approval of the competent authority i.e. Finance Department of GNCTD and payment was made to the firm according to terms and conditions of the Agreement. When it was observed that payment of service tax was subsequently not applicable, the Directorate immediately stopped paying service tax with effect from December 2013. In response to an audit query, the

Directorate added that they had not initiated any correspondence with the firm for refund of the service tax paid since the firm had deposited the service tax with the Central Board of Excise and Custom.

The reply is not tenable as the Agreement was signed on 19 June 2012 whereas the Notification was issued on 20 June 2012 and the Directorate should have taken care to exclude service tax component from the amounts paid to the firm. Further, deposit of service tax by the firm with the Government of India does not absolve the Directorate from seeking refund of the amount.

The matter was referred to the Government in June 2016; their reply was awaited (December 2016).

Department of Home

3.2 Wasteful expenditure and blocking of funds

Procurement of Satellite Phones without ensuring availability of hub for their connectivity and purchase of an ambulance without ensuring services of a Medical Officer resulted in wasteful expenditure and blocking of ₹ 59.08 lakh.

Rule 21 of the General Financial Rules 2005 envisages that every officer incurring or authorizing expenditure from public funds should be guided by the highest standards of financial propriety and is expected to exercise the same vigilance in respect of expenditure incurred from public funds as a person of ordinary prudence would exercise in respect of expenditure from his own money.

Audit of the office of Directorate General of Home Guards (DGHG), Delhi, for the period 2012-15 revealed two cases of wasteful expenditure and blocking of funds amounting to ₹ 59.08 lakh as detailed below:

(A) The DGHG and Civil Defence (CD) procured 15 Satellite Phones (MSS Type D Terminals) in March 2009 at a cost of ₹ 46.60 lakh for uninterrupted communication during disaster and requested (June 2009) the Home (General) Department to take up the matter with MHA for registration of these satellite phones with their hub in Delhi.

On 01 January 2011, the Civil Defence Wing was separated from the DGHG&CD and brought under the Divisional Commissioner (Revenue Department), GNCTD. The new Directorate General of Home Guards (DGHG) requested the Union Ministry of Home Affairs (MHA) on 19 January 2011 and 20 April 2011 for providing linkage to communication network through their hub. In response, MHA informed (21 July 2011) that they did not have the required hub to support satellite phones and advised DGHG to approach the Space Applications Centre, ISRO, in this respect. DGHG again requested MHA (Disaster Management Division) on 17 October 2011 to take up the matter with the Space Applications

Centre for allotment in the hub. Finally, Satellite Communication and Navigation Programme (SATCOM), Bangalore, approved (29 June 2012) the support for the satellite phones through the Disaster Management Support Hub and the terminals were registered (July 2012) with the Space Application Centre, Delhi Earth Station.

As these satellite phones were procured for use by Civil Defence in the event of disaster and emergency, DGHG requested (July 2012) the Divisional Commissioner (Revenue Department) to take over the phones for the Directorate of Civil Defence at the earliest. However, the Directorate of Civil Defence refused (12 March 2013) to accept the satellite phones citing connectivity and other problems which occurred during the demonstration of these phones for checking their existing conditions. Thereafter, DGHG sent a proposal (May 2014) to Home (General) Department, GNCTD, that satellite phones may be transferred to any other organisation such as the National Disaster Response Force or the Directorate of Coordination, Police Wireless to enable their utilisation. No further progress was made and the satellite phones were lying idle as of June 2016.

Audit observed that DGHG purchased 15 satellite phones at a cost of ₹ 46.60 lakh without ensuring the availability of hub which was an absolute necessity for their connectivity to the network. Even after their registration with Space Application Centre, the satellite phones were not put to use for seven years after their procurement raising a question on their performance. Moreover, SATCOM had warned that the life of INSAT-3C through which these phones were supported, was expected to end in 2015-16 and the future support for these phones (MSS type-D) was not assured.

DGHG stated (June 2016) that satellite phones were purchased for Civil Defence when the Directorate was combined and thereafter the Directorate of Civil Defence had refused to take over these phones. They had also approached Home Department and other agencies which could have utilized these phones but none responded positively. The reply is not acceptable as ensuring availability of the space in a hub for such phones was a pre-requisite. Thus, poor planning and conceptualization resulted in wasteful expenditure of ₹ 46.60 lakh.

(B) Under the extant rules, a 'No Objection' Certificate (NOC) from the Committee for Registration of Ambulance (CRA) under the Department of Health and Family Welfare (DHFV) is a pre-requisite for registering an ambulance with the Transport Department. Audit observed that DGHG procured (July 2014) an ambulance at a cost of ₹ 12.48 lakh and requested (30 July 2014) DHFV for issuance of NOC for its registration with the Transport Department. CRA informed (January 2015) that a qualified Doctor as Medical Control Physician was an essential requirement for issuance of NOC and advised DGHG to appoint a qualified doctor as Medical Control Physician failing which, the application for registration of ambulance might be rejected.

Thus, purchase of a vehicle for use as ambulance without ensuring the mandatory requirement of Medical Officer resulted in blocking of ₹ 12.48 lakh for almost two years.

DGHG stated (June 2016) that it had been making persistent efforts for getting Medical Officer posted for issuance of NOC from CRA.

The matter was referred to the Government in June 2016; their reply was awaited (December 2016).

Department of Information Technology

3.3 Implementation of Right to Public Services Legislation

Implementation of the Right to Public Services Legislation was tardy as all the notified services were not uploaded on the electronic-Service Level Agreement (e-SLA) portal and where uploaded, was partial and incorrect. The Competent Officers were not vested with powers of DDO for making payment of cost or compensation to applicants for delayed delivery of service. Timelines were not fixed for each stage for time bound delivery of services. Though services were delivered with delay, neither the applicants were paid any compensatory costs nor the defaulting government servants penalized. No action was initiated either for identifying the erring official for fixing responsibility or for encouraging the efficient employees through cash incentive.

The Government of National Capital Territory of Delhi notified (April 2011) 'The Delhi (Right of Citizen to Time Bound Delivery of Services) Act, 2011' (the Act) for time bound delivery of services or payment of cost or compensation for delay in delivery of notified services to the citizens in the National Capital Territory of Delhi. The Act mandates every department of GNCTD to maintain online status of all applications governing citizen related services and entitles the citizens to obtain and monitor the status of their applications. GNCTD notified (September 2011) 'The Delhi (Right of Citizen to Time Bound Delivery of Services) Rules, 2011 and introduced a dedicated portal, 'e-SLA (electronic-Service Level Agreement) Monitoring System' for the purpose of checking, tracking and monitoring of the status of applications. As of July 2016, GNCTD had notified 361 services of 36 departments under the Act.

Audit findings based on the examination of a sample of 25 services of nine departments in the Social and Revenue sectors were included in the Audit Report No.2 of 2016 of C&AG relating to the Government of NCT of Delhi. In the present audit, services pertaining to General Sector and Economic Sector, based on a sample of 25 services of six departments¹, was selected for examination (**Annexure 3.3.1**).

¹1. Industries, 2. Tourism, 3. Registrar (Cooperative Societies), 4. Weights & Measures, 5. Food Supplies & Consumer Affairs, and 6. Revenue

3.3.1 Non-implementation of provisions of the Act and Rules

Section 6 of the Act envisages that the Government shall endeavor and encourage all its departments, local bodies and authorities to deliver citizens related services in a stipulated time period as part of e-governance. The Department of Information Technology (DIT) is responsible for overall coordination and monitoring the implementation of provisions of the Act.

3.3.1.1 Non-uploading of services on e-SLA portal

Out of 118 notified services of 14 departments, data of 65 services was not available on the e-SLA monitoring system. The failure of the departments to upload all the notified services deprived the citizens of online facilities for applying and receiving time bound delivery of services through the 'e-SLA monitoring and tracking system' as envisaged under the Act.

3.3.1.2 Uploading and online processing of applications

Rule 3 (2) and (3) of the Delhi (Right of Citizen to Time Bound Delivery of Services) Rules, 2011, stipulate that on receipt of the complete application, the concerned official of the department shall immediately scrutinize the application and if found in order, shall upload the entire information of the application in the database, generate the computerized application ID and convey the same to the applicant for tracking the status of his application on "e-SLA Monitoring and Tracking System". Rule 3 (4) further stipulates that all such applications received by the department in the aforesaid manner and uploaded on the server of the department shall be further uploaded on the 'e-SLA Monitoring and Tracking System' on the same day. Test check of records revealed the following:

(i) Partial Uploading of applications

Audit observed that the six selected departments received 3,59,871 applications during 2013-16. Out of these, 3,26,106 applications were uploaded on e-SLA portal and 33,765 were not uploaded as detailed in **Annexure 3.3.2**.

Further, the Department of Food Supplies and Consumer Affairs implemented the National Food Security (NFS) Act, 2013, with effect from September 2013. However, after November 2013, it did not upload any data/application relating to implementation of the Act on e-SLA. As per information available on the NFSA portal, the Department received 24,67,508 applications till March 2016 which were not uploaded on e-SLA portal. Partial uploading of data on e-SLA monitoring and tracking system undermined the objectives of the Act.

The Registrar (Cooperative Societies) and Weights & Measures Department attributed (August/October 2016) the partial uploading of data to shortage of staff while the Weights & Measures Department stated that necessary directions had been issued for uploading the upto date data of e-SLA on the portal. The Revenue

Department stated (October 2016) that data uploading in the e-SLA portal was being done by NIC.

(ii) Non updating of data

- Status of 2,624 applications out of 13,020 received by four departments² for nine services during the period of audit, were shown as ‘awaiting disposal’ as of 18 April 2016. Further scrutiny revealed that out of these 2,624 applications, 2,249 had actually been disposed of by the respective departments before March 2016 but their status was not updated on e-SLA portal.
- In Tourism Department, there was delay of upto 235 days in uploading the status on e-SLA in 21 out of 82 cases where services had been delivered. In 48 cases, date of disposal on e-SLA was shown prior to actual date of delivery of service indicating lack of input control.
- As on 29 April 2016, the data on the e-SLA portal was not updated by five departments³. Non-updating of data indicated lack of monitoring by the concerned departments.

The Revenue Department stated (October 2016) that the matter had been taken up with NIC and henceforth the data would be uploaded simultaneously. The Weights & Measures Department stated (October 2016) that data has now been uploaded on e-SLA.

3.3.1.3 Fixation of stage wise timelines for time bound delivery of services

As per Section 9 (1) of the Act, the Competent Officer, notified under the provisions of the Act, is empowered to impose cost on the government servant defaulting or delaying the delivery of services. Further, in terms of Rule 5, the Head of the Department should devise a work flow with timelines for the respective government servants at defined stages for the time bound delivery of services. Audit, however, observed that only two departments *viz.* Tourism, and Weights and Measures out of the six selected departments had devised stage wise timelines for processing of applications. In the absence of any fixed timelines for government servants for defined stages of delivery of a service, identifying the defaulting and delaying employee and recovery of the compensatory cost was not possible.

The Revenue Department stated (October 2016) that various work flow charts were prepared from time to time. The reply is not acceptable as these flow charts were neither furnished during the course of audit nor were enclosed with the reply.

²Departments of Industries, Tourism, Revenue and Registrar (Cooperative Societies)

³Food Supplies and Consumer Affairs (after 12 November 2013), Industries- (after 19 December 2014, Registrar (Cooperative Societies) (after 04 June 2015), Revenue (after 28 January 2016), W & M (after 29 April 2015).

Test check of records further revealed the following:

- **Tourism Department:** In 72 out of 117 cases under two services viz. 'Approval of Restaurants' and 'Registration of Bed and Breakfast Establishments', the department conducted inspection of premises with delay up to 79 days beyond prescribed timelines of 15 days and 60 days respectively. Under the service of 'Approval of Restaurants', certificates were issued to 36 out of 74 applicants with a delay up to 47 days beyond prescribed timeline of four days after approval of the competent authority. For two services⁴ relating to Guest Houses, though only two applications were received (one under each service on 27 May 2015 and 22 June 2015), inspection of premises was delayed by 354 days and 329 days beyond the prescribed timeline of 15 days.
- **Registrar (Cooperative Societies):** In case of two applications for registration of new societies, the department initiated the process of registration 35 days and 95 days after the receipt of applications, though time allowed for registration in such cases was 90 days only. The registration process was completed after a delay of 135 and 257 days respectively.

3.3.1.4 Non-conferring of powers of Drawing and Disbursing Officer (DDO) on competent officers

Section 9(1) of the Act provides for appointment of competent officers and Section 9(2) envisages that the Government shall, for the purpose of payment of compensatory cost, confer on the competent officer the powers of DDO in accordance with the law. For this, Rule 4(2) stipulates drawing a sum not exceeding ₹ 20,000 by DDO.

The Department of Information Technology notified (between 14 September 2011 and 14 August 2014) the appointment of competent officers and appellate authorities for the services provided by six selected departments. Audit observed that the powers of DDO for making payment of compensatory cost to the citizens were not conferred on them except by the Department of Food Supplies and Consumer Affairs.

The Revenue Department stated (October 2016) that relevant orders were issued for appointment of competent officers and appellate authority. However, the reply was silent on conferring of powers of DDO. The Weights & Measures Department stated (October 2016) that the DDO of the Department has been asked to comply with the provision of Rule 4(2) for drawing the sum not exceeding ₹ 20,000.

3.3.1.5 Non-execution of instructions issued by the IT Department

As per instructions issued (May 2014) by the IT Department, GNCTD, Head of Departments were required to issue internal orders regarding internal workflow mapping with timelines for time bound delivery of notified services. These internal

⁴(i) Approval of Guest House, and (ii) Grading of Guest Houses

orders were to cover preparation of notice board for displaying information regarding services, along with name of the competent officer, number of days for disposal as per e-SLA and setting up of Help Desk to guide citizens and making available imprest money with competent officer for payment to citizens as compensatory cost in case of default or delay in delivery of services. In this regard, Audit observed that:

- **Help Desk:** No separate help desk to guide citizens was set up by any of the selected six departments.
- **Notice Board:** Only the Weights & Measures Department complied with the instructions for displaying notice board. Though the Departments of Revenue and Registrar (Cooperative Societies) prepared Notice Boards displaying information regarding services along with number of days required for issue of certificate, information like name of Competent Officer/Appellate Authority, provision of payment of compensatory cost for delay in delivery of services were not displayed on notice boards.
- **Imprest money:** The Food Supplies Department and Registrar (Cooperative Societies) intimated that imprest money was provided to the competent authority for implementation of the provisions of the Act.

The Revenue Department stated (October 2016) that necessary orders were issued regarding help desk, notice board and imprest money. Audit however noted that though common counters/desks existed in sub-division offices for regular works, there were no separate help desks for guiding citizens. Further, the notice boards did not have complete information and though orders for release of imprest money were issued, these were not being followed. The Weights & Measures Department stated (October 2016) that it was complying with the instructions. Reply is not acceptable as no separate help desk was set up and no orders for release of imprest money were issued. The Registrar (Cooperative Societies) stated (August 2016) that directions have been issued to erect new notice boards.

3.3.2 Notification of services

Under Section 3 of the Act, the Department of IT had been amending from time to time the schedule of services appended to the Act for bringing various services under the purview of the Act. Audit observed the following:

3.3.2.1 Non-identification of new services for e-SLA

As per instructions of the Department of IT (July 2013), Government departments were to identify more citizen related services for bringing them under the ambit of e-SLA. Audit, however, observed that the selected departments did not identify any new service to be brought under the ambit of e-SLA since 14 August 2014, though they were providing several other services⁵ to citizens, which were not available on e-SLA portal.

⁵**Tourism:** Registration of tour operators/travel agents, **FS:** Change of FPS in the same circle, **Revenue:** Issuance of permanent ID card for disabled, **Industries:** Grant of licences to carry on business of a process of lubricating oils and grease, **RCS:** Approval of expulsion of members **W&M:** Issue of verification certificate of weighing and measuring instruments.

While Revenue Department stated (October 2016) that identification of new services for e-SLA was under process, the Weights & Measures Department stated (October 2016) that there was no need for identification of new services which would be done when required.

3.3.2.2 Notification of service not under the control of a Department

In August 2014, the Department of IT notified two services⁶ for the Department of Industries under the Act though these services had been shifted to the Revenue Department in April 2010. Despite these services not being within its ambit, the Industries Department also appointed competent officer and appellate authority for these two services in August 2014 and did not take up the matter with the Department of IT for shifting these services to Revenue Department. As a result, e-SLA portal was still showing these two services under the Department of Industries. This was indicative of lack of diligence in implementing the provisions of the Act/Rules.

The Department of Industries replied (August 2016) that a proposal was sent (August 2016) to IT Department for de-notification/transferring these two e-SLA services to the Revenue Department.

3.3.3 Delivery of notified services

Section 3 of the Act provides that every citizen shall have the right to obtain citizen related services in Delhi within the time specified in the Act. Section 7 further stipulates that every government servant who fails to deliver the citizen related services within the stipulated time, shall pay to the citizen the cost at the rate of ₹ 10 per day for the period of delay subject to maximum of ₹ 200 per application. Further, as per Rule 4(1), the competent officer shall ensure to pay the compensatory cost calculated automatically through e-SLA system, to the citizen in case of delay in the delivery of service beyond the prescribed time period.

Section 12(3) of the Act seeks to encourage and enhance the efficiency of government servants by recommending cash incentives under the section to a government servant against whom no default has been reported in one year.

Out of total 13,96,467 cases processed on e-SLA during period of audit, there was delay in delivery of services in 3,81,472 cases (27 per cent) with a maximum delay ranging up to more than two years (as on 18 April 2016) in the six selected departments. In terms of the provisions of the Act, an amount of ₹ 3.79 crore should have been paid as compensatory cost to the citizens and the same recovered from the defaulting government employees, as worked out by Audit (**Annexure 3.3.3**). However, the concerned departments neither paid any amount

⁶ (i) Renewal of registration of Welfare/ Charitable Societies under Societies Registration Act, 1860 for the societies registered before year 2010, and (ii) Certified copy of the rules and regulations and governing body of the society

as cost to the citizens nor recovered it from the defaulting employees responsible for the delay in delivery of services.

The Department of Weights & Measures attributed (October 2016) the delay to shortage of staff while the Registrar (Cooperative Societies) stated (August 2016) that the process sometimes takes more than the stipulated time and also there was acute shortage of staff. The Revenue Department stated (October 2016) that it did not receive any complaint from any citizen on delay in delivery of services.

It was also noticed that the departments of Tourism, Weights & Measures, Revenue and Registrar (Cooperative societies) paid no incentive to any government servant as provided under the aforesaid provision of the Act.

Audit observed that the departments had neither enforced the provisions of the Act relating to compensatory cost and recovery from defaulting government servants nor provided any incentives to improve efficiency. This defeated their very purpose as well as accountability and undermined the ability of the departments to ensure delivery of timely services to the citizens.

3.3.3.1 Review of prescribed period for delivery of services

Audit observed that only two departments *viz.* Food Supplies and Consumer Affairs and Industries reviewed the number of days required for rendering the notified services in December 2014 and February 2015 respectively. The Revenue Department, with the implementation of e-District programme since June 2015, reduced the number of prescribed days for five services⁷ to 14 days (from 21 to 60 days), and increased the prescribed time for 'Issue of Marriage Certificate' from 7 to 21 days. However, the notification for these amendments with regard to implementation on e-SLA was yet to be issued as of July 2016. The departments of Tourism, and Weights and Measures did not review the number of days required for delivery of services, while the Registrar (Cooperative Societies) did not furnish any information in this regard.

The Revenue Department stated (October 2016) that fresh notification for revised period of delivery of services was under process and Weights & Measures Department stated (October 2016) that a committee would be formed shortly for reviewing the prescribed period.

3.3.4 Conclusion

Audit review of the implementation of the Right to Public Services Legislation indicated lack of diligent implementation leading to delay and gaps in uploading of notified services on the e-SLA Monitoring and Tracking System that undermined the fundamental objective of providing information on-line to citizenry. The Competent Officers were not vested with powers of DDO for making payment of

⁷*Issuance of OBC, SC/ST, Delayed Birth Order, Income and Domicile certificates.*

cost or compensation to applicants for delayed delivery of service and no timelines were fixed for delivery of services. Though services were delivered with delay, neither applicants were paid any compensatory costs nor was any action initiated either for identifying the erring officials for fixing responsibility or to encourage the efficient employee by granting cash incentive.

The matter was referred to the Government in July 2016; their reply was awaited (December 2016).

**Department of Labour
(Delhi Building and Other Construction Workers' Welfare Board)**

3.4 Non-claiming of refund of TDS

Failure of the Board to file income tax returns and claim refund of tax deducted at source (TDS) by banks, resulted in blocking of funds of ₹ 15.95 crore and consequential loss of interest of ₹ 2.73 crore, which could have been earned had the refund of TDS been claimed timely and invested in Fixed Deposits in banks.

The Delhi Building and Other Construction Workers' Welfare Board (the Board) was constituted on 02 September 2002 under the Delhi Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 with a view to providing and monitoring social security schemes and welfare measures for the benefit of building and other construction workers.

Audit scrutiny of records during August/September 2016 covering the period 2013-16, revealed that the Board applied to the Income Tax Department for registration under Section 12A of the Income Tax (IT) Act, 1961 (exemption from taxation) on 29 September 2008. The registration under Section 12A read with Section 12AA was granted to the Board from the assessment year 2009-10 onwards for exemption from taxation. However, the exemption from taxation was subject to satisfaction of the Assessing Officer about the genuineness of the activities promised or claimed to be carried on in each financial year relevant to the assessment year. Besides, the Board was required to maintain and submit its audited accounts to the Assessing Officer.

The Board invests its surplus funds as 'Fixed Deposits (FDs)' in various banks, which deduct tax at source (TDS) on interest earned on FDs. However, the same can be claimed as refund from the Income Tax Department by filing IT Return under section 139 (1) of the IT Act. Further, Section 244A(1)(a) states that "where refund of any amount becomes due to the assessee under the Act, he shall, subject to the provisions of this section, be entitled to receive, in addition to the said amount, simple interest thereon calculated in the following manner:

"where the refund is out of any tax collected at source under Section 206C or paid by way of advance tax or treated as paid under Section 199, during the financial year immediately preceding the assessment year, such interest shall be calculated at the rate of one-half *per cent* for every month or part of a month comprised in the period,

- (i) from the 1st day of April of the assessment year to the date on which the refund is granted, if the return of income has been furnished on or before the due date specified under sub-section (1) of Section 139; or

(ii) from the date of furnishing of return of income to the date on which the refund is granted, in a case not covered under sub-clause (i).

Test check of records revealed that the Board earned ₹ 143.64 crore as interest on its FDs in banks during the period 2009-10 to 2015-16 and banks deducted ₹ 15.95 crore as tax at source on the interest earned on FDs. However, the Board could not claim refund of this amount of TDS as it did not file the IT Return for any of the assessment years as of September 2016, resulting in TDS amounting to ₹ 15.95 crore lying with the IT Department unclaimed.

Thus, failure of the Board to file IT Returns and claim refund of TDS resulted in blocking of funds of ₹ 15.95 crore and consequential loss of interest of ₹ 2.73 crore upto 31 March 2016, which could have been earned had the refund of TDS been claimed timely and invested in FDs.

The matter was referred to the Government on 05 December 2016, their reply was awaited.

3.5 Lack of effective monitoring of surplus balances

Failure to effectively monitor transfer of funds from district account to the main account of the Board resulted in loss of interest of ₹ 3.74 crore.

In terms of Section 3 of the Building and Other Construction Workers' Welfare Cess Act, 1996, a cess shall be levied and collected at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer and the proceeds of the cess collected shall be paid to the Delhi Building and Other Construction Workers' Welfare Board (the Board). In Delhi, Deputy Labour Commissioners of various districts collect the cess from local bodies, individuals and other agencies and remit the same to the Board. For this purpose, the Board has a main Savings Bank account in State Bank of India (SBI). The Board opened (February 2012) 10 Savings Bank accounts for various districts linked with the main account of the Board. As per decision taken in the meeting of the Board on 8 August 2011, all funds collected through different accounts was to be transferred automatically to the main account on the same day evening. Further, the amount of cess in the main account over and above ₹ 25 lakh was to be converted into Multi Option Deposit (MOD) in multiples of ₹ 50 lakh.

Audit scrutiny of records of the Board revealed that a balance of ₹ 24.04 crore was lying in the account of North-West District as on 1 April 2013 and the bank was not transferring the funds to main account on daily basis. As a result, funds in the account of North-West district accumulated to ₹ 77.03 crore (including interest of ₹ 3.68 crore) as on 27 December 2014, when the amount was transferred to the main account by the bank. The Board failed to monitor the transfer of funds by the Bank.

Due to non-transfer of funds from the district account to the main account on daily basis, the Board could not invest these funds in fixed deposits during April 2013 to December 2014. Had the amount been transferred to main account on daily basis during the period April 2013 to December 2014 and converted into MOD, the Board could have earned interest of ₹ 7.42 crore. Against this, the Board received only ₹ 3.68 crore as interest in the district account. Thus, non-transfer of funds from district account to main account on daily basis resulted in loss of interest of ₹ 3.74 crore.

The Board stated (November 2016) that the matter was being taken up with SBI and efforts made to recover the amount from the bank.

The matter was referred to the Government on 05 December 2016, their reply was awaited.

3.6 Loss due to projection of excess requirement

The Board projected a requirement of 20 mobile van dispensaries against 10 approved and thereafter released ₹ 4.24 crore without ensuring their availability. This resulted in loss of interest of ₹ 1.15 crore that the Board could have earned by investing the unspent amount of ₹ 2.07 crore.

It was decided in May 2009 that the Directorate of Health Services (DHS) would assist the Delhi Building and Other Construction Workers' Welfare Board (the Board) by extending mobile dispensary services at 30 major construction sites in Delhi. In the meeting, it was informed that the DHS had asked for an amount of ₹ 2.12 crore for providing 10 mobile van dispensaries. However, the Board, in its meeting held on 28 May 2009, decided to pursue with DHS for at least 20 mobile van dispensaries for on the spot medical care to construction workers at sites at a total cost of ₹ 4.24 crore. The Board did not obtain any assurance from DHS for providing 20 mobile van dispensaries instead of 10, but released ₹ 4.24 crore (June 2009) in advance to DHS for 20 mobile van dispensaries.

Audit scrutiny revealed that DHS deployed five mobile van dispensaries with effect from 15 June 2009 and five more from 10 July 2009 at various construction sites. On 2 March 2015, DHS informed the Board that even these 10 mobile van dispensaries had been discontinued with effect from 31 May 2014. An amount of ₹ 2.07 crore out of ₹ 4.24 crore was lying with it unspent which was not returned to the Board as of August 2016.

Thus, projecting requirement of increased mobile van dispensaries at 20 instead of 10 contrary to decision of the Government and payment of advance without ensuring that 20 mobile van dispensaries could be deployed resulted in loss of interest of ₹ 1.15 crore upto August 2016, which the Board could have earned by investing the unspent amount of ₹ 2.07 crore.

The matter was referred to the Government on 05 December 2016, their reply was awaited.

Public Works Department

3.7 Implementation of Projects in Public Works Department

PWD did not invest adequate efforts and time in planning and design for the projects before their actual execution resulting in inflated detailed estimates, revision of drawings and designs and increase in quantities of items/execution of extra items after award of works. There were delays in completion of works and non-levy of compensation in delayed works. PWD failed to incorporate penal clause for variation in estimation of quantities in agreements entered into with consultants and did not levy compensation on consultants for delay in supplying of drawings for the works despite contractual provisions. Wrong adoption of base price and taking incorrect quantities, while calculating cost variation, resulted in non/short recovery under clause 10CA of the Agreements. These shortcomings have financial implications of ₹ 241.20 crore.

3.7.1 Introduction

Major construction projects of all departments of Government of National Capital Territory of Delhi (GNCTD) costing more than ₹ 30 crore are taken up by the Building Zones of the Public Works Department (PWD) while construction of flyovers, railway over bridges, railway under bridges, underpasses and new corridors are constructed by its Flyover Zone.

The Principal Secretary, PWD is the administrative head of the Department who is assisted by Engineer-in-Chief, Chief Engineers, Superintendent Engineers, Executive Engineers, Assistant Engineers and Junior Engineers. The PWD is divided into four Maintenance Zones, two Building Project Zones and one Flyover zone. There are total of 96 divisions in PWD, of which 77 divisions⁸ have Drawing and Disbursing powers.

The audit of implementation of projects in Public Works Department for the period 2011-16 was conducted between May and August 2016 in 12 Building Project divisions⁹ and 10 Flyover Project divisions¹⁰ of PWD. In these divisions, works selected for audit were- (i) 100 *per cent* works having tendered value of ₹ 50 crore and above (16 works), and (ii) 30 *per cent* works having tendered value below ₹ 50 crore (24 works out of 59 works). These 40 works involved total expenditure of ₹ 2,924.13 crore.

⁸59 maintenance divisions, 5 flyovers project divisions and 13 building project divisions.

⁹B-121, B-122, B-123, B-131, B-132, B-133, B-141, B-142, B-222, B-223, B-232, B-234

¹⁰ F-111, F-112, F-113, F-121, F-122, F-123, F-131, F-132, F-133, F-134

Audit findings

3.7.2 Planning and designing for the projects

Comprehensive planning and designing for the project entails determining the scope of the project, selection of appropriate site, examination of site conditions, soil testing, preparation of realistic estimates, drawings, specifications of various items, scheduling of resources (physical and financial both) and fixing attainable timelines while keeping the project objectives upfront. Planning for a Government project in Delhi becomes even more crucial as land and finances are scarce and project execution involves prior approvals and clearances from multiple agencies. Audit noticed instances of poor project planning in PWD resulting in unrealistic estimates and change in scope, designs, drawings and specifications after award of works. Further, instances of non-inclusion of penal clause in agreements and non-levy of compensation despite provision in the agreements were noticed in consultancy works.

3.7.2.1 Engagement of consultants

PWD appoints consultants for feasibility study of projects, preparation of structural designs, drawings, estimates and justified amount statements. As per Central Vigilance Commission instructions (November 2002), there should be no major deviation in the scope of work after the contract is awarded and the consultant should be penalized for poor planning, if the deviations result in excessive cost overruns. Further, as per Agreement entered into with the consultant, time allowed for carrying out the work should be strictly observed and in the event of failure to complete the work, compensation at the rate of 1.5 *per cent* of agreed fee per month of delay is to be computed on per day basis subject to maximum of 10 *per cent*.

Test check of records of Building and Flyover Divisions revealed that in nine works, there was no penal clause in three consultancy agreements for variation in quantities. In four works, penalty was not levied though there was provision for the same in the agreements and other two consultancy works were discontinued by the Consultant Appointment Committee due to non-requirement as summarized in **Table 3.7.1** below:

Table 3.7.1: Shortcomings in Consultancy Agreements

(₹ in crore)

Sl.No.	Name of work	Remarks
1	(i) C/o DDU College, (ii) C/o Prison Complex at Mandoli, SH: Regulated Environment Buildings, and (iii) C/o Academic Block at DIPSAR	Penal clause was not included in agreements for variation in estimation of quantities. There was variation in quantities valuing ₹ 70.58 crore in these three works.

Sl.No.	Name of work	Remarks
2	(i) C/o Shaheed Sukhdev College of Business Studies at Rohini, (ii) Comprehensive Development of Corridor from (a) VikasPuri to MeeraBagh, (b) Mangolpuri to Madhuban Chowk (c) Madhuban Chowk to Mukarba Chowk	There was delay in submission of drawings by consultants ranging from 33 to 93 days. However, PWD did not levy compensation amounting to ₹ 48.48 lakh on consultants.
3	(i) Corridor/network from - (a) Pusta No.3 to Chandgi Ram Akhara (b) Sonia Vihar to Jagatpur (c) Sabhapur to Sant Nagar Burari (ii) BRT corridors in Delhi (Package-4) (a) National Stadium to Gazipur, and (b) ISBT Anand Vihar to Connaught Place (Package-4)	Two consultancy works for feasibility studies and preparation of detailed project report for BRT corridor were awarded in February 2013/July 2014. The Consultant Appointment Committee in its meeting (February 2016) decided to discontinue these studies because these works were not required due to construction of Signature Bridge and failure of existing BRT corridors. By that time payment of ₹ 1.30 crore had been made to the consultants which was rendered wasteful.

The Department stated (September 2016) that action of levy of compensation for delay would be taken after completion of the projects. As regard Prison complex and Academic Block at DIPSAR, it was stated that the quantities of various items were revised as per requirements of clients and site conditions. Regarding feasibility studies Department accepted the facts. The reply is not specific to the audit observation regarding non-inclusion of penalty clause in the Agreement in terms of CVC instructions. Besides, in the case of DDU College, in the absence of provision for levy of penalty in the agreement it is not clear as to how the Department would levy penalty.

3.7.2.2 Inflated detailed estimates

As per section 2.5.1 (h) of CPWD Works Manual, detailed estimates should be prepared based on applicable Schedule of Rates for obtaining technical sanction. Market rates should be followed only for items which are not covered under the Schedule of Rates.

Audit scrutiny of records revealed that PWD Division (B-121) applied both rate of DSR-2002 and market rates for preparing detailed estimate (February 2008) for the work - 'Construction of Prison Complex at Mandoli, SH: Regulated environment building'. It was observed that cost of 19 items (₹ 87.58 crore) was calculated on market rates constituting 82 *per cent* of the total estimate of ₹ 106.58 crore. It was further observed that though rates for 13 out of these 19 items were available in DSR-2002, yet PWD applied market rates to estimate cost of these items. Applying market rates for items which were covered under DSR-2002 was in violation of provisions of CPWD Works Manual and resulted in inflated estimate by ₹ 38.68 crore (**Annexure 3.7.1**).

The Department stated (September 2016) that at the time of framing NIT in 2008, the latest available DSR was DSR-2002 and there was a huge gap in rates of DSR and the prevailing market rates of cement and steel. In order to bridge this gap, items involving cement and steel were updated by incorporating market rates. The reply is not acceptable as the PWD was required to follow the manual provisions for preparation of detailed estimates. Further, gap between DSR and market rates is taken into consideration for preparing justification statement to assess the reasonability of rates quoted by bidders.

3.7.2.3 Increase in quantities/execution of extra items after award of works

Section 4.2.1 (2) of CPWD Works Manual stipulates that detailed estimate should be complete and as comprehensive as possible and should be supported by detailed drawings, preliminary structural plans and preliminary lay out drawings of various services for different components of work involved. Audit observed following instances of increase in quantities/execution of extra items amounting to ₹ 110.29 crore as summarized below:

(a) PWD appointed a consultant (August 2012) at a fee of ₹ 74.50 lakh for preparation of structural design and drawings, construction drawings and detailed estimate for the work -Construction of elevated road over Barapullah Nallah, (Phase-II) from Jawaharlal Nehru Stadium to Aurobindo Marg. Based on the detailed estimate for the work prepared by the consultant, the Chief Engineer accorded technical sanction in November 2012. Test check of records revealed that the drawings prepared by consultant proved to be inaccurate during the execution of the work as there was substantial difference in quantities executed vis-à-vis quantities estimated by the consultant as detailed in **Table 3.7.2** below:

Table 3.7.2: Increase in quantities due to inaccurate drawings

Sl. No.	Items	Quantities as per agreement (in meter)	Quantities executed (in meter)	Difference (in meter)	Rate (in ₹)	Additional expenditure (₹ in crore)
1	2	3	4	5 (4-3)	6	7 (6x5)
1	Soil investigation	8,648	12,270	3,622	1,000	0.36
2	Boring-vertical piles					
	1,000 mm dia	3,700	9,102	5,402	12,400	6.70
	1,200 mm dia	24,100	55,550	31,450	15,350	48.28
Total						55.34

The increase in quantities after award of work resulted in additional expenditure of ₹ 55.34 crore. Reasons for increase in quantities were recorded as site conditions, increase in depth of pile from 20 meters to 32 meters and change of alignment of structure. Thus, increased quantities of these items not only increased the cost of project but also delayed the completion of the project as 94 per cent of work was

executed as of September 2016 against the scheduled completion by February 2015.

The Department stated (September 2016) that penalty for preparing inaccurate estimate would be imposed while finalizing the bill of the consultant.

(b) Test check of records revealed that in seven building works (Colleges, NCC Bhawan, Prison Complexes) there were deviations in quantities of items (12 to 15,770 *per cent*) and execution of extra items valuing ₹ 45.60 crore. Reasons for deviation in quantities and execution of extra items included lesser quantities taken in estimates, increase in scope of work, increase in thickness of slab, as per structural drawings and site requirement.

(c) Deviation in quantities valuing ₹ 9.35 crore in the work -Construction of Shaheed Sukhdev College of Business Studies at Rohini, though executed, were not approved as of August 2016.

The Department stated (September 2016) that deviations in quantities and execution of extra items were due to change of scope of work, additional requirement of client department, site requirement, increase in plinth area and height of plinth, non-availability of structural drawings, less consideration/ non consideration of items and change in tender drawing. The reply establishes the fact that plans and designs of works were not complete and comprehensive.

3.7.2.4 Change in scope of works after award of contracts

In the following three works, scope of work was changed after contracts had been awarded. As a result, one work was completed at less than tendered cost and there was additional expenditure in two works, as detailed in **Table 3.7.3** below:

Table 3.7.3: Change in scope of work after award

(₹ in crore)

Sl.No.	Work	Reasons for change in scope work
1	Comprehensive development of corridor between Prembari Pul and Azadpur	The work was awarded at a tendered cost of ₹ 181.47 crore. Due to reduction in the length of elevated road from 1,717 meter to 1,460 meter, less quantities of piers, span and depth of piles were executed and work of noise barrier, signages and retaining wall were not executed. The contractor was paid ₹ 129.17 crore for the work done.
2	C/o Prison complex at Mandoli, SH: Providing air cooling systems	The work was awarded at a tendered cost of ₹ 3.70 crore. There was provision for manual operation of the system. However, after award of work it was changed to remote control system. An amount of ₹ 1.06 crore was paid for execution of four extra items.
3	C/o Parallel road in Zone P-1 on other side of nallah from Sanjay Gandhi Transport Nagar to Wazirabad Chowk	The work was awarded at a tendered cost of ₹ 135.79 crore. After award of work, PWD changed the scope of work by including an extra item of work (providing, fabricating, transportation, assembling and erection in position of steel members for Steel Plate Girder Bridge' over the canal). An expenditure of ₹ 1.46 crore was made on additional work.

Change in scope of work after award of contract is indicative of weaknesses in the initial planning and designing of the project and lack of diligence in identification of realistic requirements prior to execution of the works.

The Department stated (September 2016) that scope of corridor improvement work from Prembari to Azadpur flyover was reduced as structural design was rationalized at the time of execution by revising design panels after specific confirmatory Geo Tech investigation was done for each location of the pier. The alignment of the flyover was re-assessed based on ground conditions and modified accordingly. Regarding the work at Mandoli Jail, it was stated that in a coordination meeting chaired by Chief Engineer, it was decided to have control at a single point and additional facilities were provided to have better control and monitoring due to security reasons. Regarding work of parallel road in Zone P-1, it was stated that it was technically not possible to shift the flood control measures installed at the site and it was unavoidable to construct the canal bridge at that point.

3.7.3 Execution of projects

3.7.3.1 Delay in execution of works due to lack of coordination

The work, 'Corridor improvement from IIT to NH-8 and its influence areas¹¹ was awarded (November 2014) at a tendered cost of ₹ 278.08 crore with stipulated date of start and completion as 27 November 2014 and 26 November 2016 respectively. However, only 6 per cent of the work was executed even after 19 months of start of work. Scrutiny of records revealed that work was delayed due to delay in shifting of lines/cables of Bombay Suburban Electric Supply (BSES) and Delhi Transco Limited (DTL), water pipe line and DTC Bus shelters at BJ Marg. It was further noticed that PWD paid ₹ 24.19 crore to various agencies i.e. BSES¹², DTL¹³, NDMC¹⁴, SDMC¹⁵ and DTC¹⁶ for shifting of the services during the period from December 2014 to March 2016. This indicates lack of timely intervention on the part of PWD to get the utilities shifted since payment for this work to the various agencies was paid only after award of the work resulting in delay in shifting of utilities ranging between 3 to 26 months as of August 2016.

The Department stated (September 2016) that there were large number of underground utilities of various agencies. The process of identification and

¹¹SH: Construction of Flyover on portal structure linking existing Munirka Flyover in the East to the point beyond Army RR Hospital in the West on the Outer Ring Road, and SH: Underpass at junction of BJ Marg and Inner Ring Road, skywalk, RCC drain, footpath, cycle track, widening/strengthening of road, rain water harvesting scheme, electrical works and other allied works

¹²Shifting of 33 KV underground feeder, shifting of 66 KV tower, shifting of underground 11 KV and 33 KV cable.

¹³Shifting of 220 KV underground cable

¹⁴Shifting of water pipe line and shifting of various electrical cables

¹⁵Shifting of 33 KV cable

¹⁶Shifting of DTC Bus Shelters

preparation of estimate for shifting of utilities was started just after getting the sanction for the work. It further stated that the departments to whom payments had been made, were delaying the work of shifting of their utilities. The reply is not acceptable as these factors could have been taken care of at the planning stage by proper co-ordination with concerned agencies.

3.7.3.2 Inadmissible payment of ₹ 1.51 crore

Special Conditions 1 (a) and (b) of the contract stipulated that contractor should inspect the site of work and acquaint himself with the site conditions and no claim on this account would be entertained by the department. In terms of Bill of Quantities (BOQ) of agreements, contractor was required to provide Design Mix Concrete (DMC). Further condition stipulates that contractor had to arrange Ready Mix Concrete (RMC) for all leads and lifts and nothing extra was to be paid on this account. As per minutes of pre-bid meeting held on 21 March 2013, it was clarified to bidders that the site for RMC was not available at work site as most of the ground had already been covered.

Audit scrutiny of records relating to the two works under Construction of prison complex, Mandoli, namely (i) Construction of 330 residential quarters, and (ii) External development and miscellaneous allied works, revealed that as per agreement there was an item for DMC but the contractor used RMC citing non-availability of space and permission for installation for batch mix plant for making design mix at the site despite the pre bid documents clearly mentioning that space for RMC activities is not available. PWD paid ₹ 48 lakh and ₹ 59 lakh respectively as lead charges for RMC as extra item which was clearly in contravention of the contracts. Similarly, in the work of Construction of 330 residential quarters, PWD paid ₹ 44 lakh for an item of earth work (as extra item) on the ground that the area in the housing complex of Mandoli Jail is low lying area. Thus, the total payment of ₹ 1.51 crore to the contractor for these items was inadmissible as conditions of the Agreement did not allow payment for such items.

The Department stated (September 2016) that in the detailed estimate, the item of design mix concrete was taken, but space for installation of plant at site could not be provided and contractor was paid for ready mix concrete. Regarding payment of earth work, it was stated that at the time of execution, it was necessary to avoid the flooding/stagnation of water and to keep the plinth level matching with the existing building. The reply is not acceptable as the payment for extra lead for ready mix concrete was specifically not permitted as per the Agreement and the execution of earth work on the ground of low lying area was also not admissible according to contract conditions.

3.7.3.3 Avoidable payment for cost escalation

The CPWD Works Manual-2012 *inter alia* provides that availability of clear site, funds and approval of local bodies should be ensured before approval of notice

inviting tenders (NIT) to ensure execution of works without any hindrance or delay which may entail escalation in cost. If a work remains in progress after the stipulated dates of completion for no fault of contractor, escalation costs under clause 10 CC of the agreements are paid.

Test check of records revealed that two works for which escalation costs under clause 10CC was applicable could not be completed within their stipulated dates of completion. Details of escalation costs paid to the contractors are shown in **Table 3.7.4** below:

Table 3.7.4: Escalation costs paid to the contractors

(₹ in crore)

Work	Stipulated date of completion	Delay as on 31.5.16 (days)	Total Amt. Paid	Amount avoidable	Hindrance
Comprehensive Development of Corridor (Outer Ring Road-F-1)					
(i) Vikas Puri to Meera Bagh	21.2.2015	465 (in progress)	14.87	5.28	DJB boundary wall (17 days), NOC from I&FCD (22 days), tree cuttings (70 days), shifting of 33 KVA/66 KVA lines (20 days), DJB water lines (13 days) and drawings (77 days).
(ii) Mukarba Chowk to Wazirabad Chowk	20.5.2015	375 (in progress)	16.81	6.93	Tree cutting (33 days), 66 KVA/11 KVA HT lines (39 days), drawings (40 days), DJB pipe line (2 days), NOC from IFC&D (71 days), HT transformer (6 days), non-availability of site (9 days).
Total				12.21	

The main reasons for delay in completion of works were either non-availability of drawings or non-coordination with other departments. Consequently, ₹ 12.21 crore was paid as escalation costs under clause 10 CC of the agreements for delays beyond the stipulated date of completion which could have been avoided had the PWD ensured hindrance free sites and drawings before issuing NITs and managed other hindrances with proper coordination with concerned departments.

The Department stated (September 2016) that theoretically tenders should be called only after availability of clear site, but practically it was not possible due to various site conditions. It was added that it is very difficult to assess actual position of services laid below the ground surface as layout plans were not available with concerned service providers. Reply is not acceptable as it is incumbent upon the department to take all steps necessary to ascertain that the land is free from any encumbrance or hindrance before award of the work. Thus, failure of PWD to ensure clear site and removal of all hindrances before award of work as envisaged in the codal provision and ineffective co-ordination with civic agencies resulted in delay in execution of work and cost escalation under clause 10 CC of the agreement.

3.7.3.4 Sanction of deviations and extra items

Sections 24.1 and 24.2.1 of CPWD Works Manual stipulate that deviation means deviation in quantities (increase or decrease) of items of work in the agreement, whereas extra items of work are items that are completely new and are in addition to items contained in the contract.

Test check of records of four Building Project Civil Divisions¹⁷, two Building Project Electrical Divisions¹⁸ and one Flyover Division (F-113) showed that in 17 works, deviation in quantities worth ₹ 29.80 crore and extra items worth ₹ 1.71 crore aggregating to ₹ 31.51 crore were sanctioned either without recording any reason or by mentioning in a routine manner such as site requirement or as per actual measurement or as per actual execution at site. Recording justification for deviation in quantities or extra items in such vague terms in approval statements does not disclose the actual need for those items. As such, a reliable assurance could not be drawn regarding actual requirement of deviation in quantities or extra items executed in the works.

The Department stated (September 2016) that items were executed for providing power points, LAN connection, telephone connection to various works stations, increase/change in scope of work, non-availability of material and non-availability of item in the agreement. In case of work of New Delhi District Court at Rouse Avenue, it was stated that detailed reasons for deviation of each item was discussed during inspection of Chief Project Manager and elaborated in the note sheet. However, no document supporting the contention was enclosed with the reply. The reply is not specific to the audit observation regarding full disclosure of requirement of deviations and extra items in approval statements.

3.7.3.5 Irregular inclusion of extra works

Section 14.1 (1) of the CPWD Works Manual-2012 stipulates that normally tenders should be called for all works costing more than ₹ 50,000. The prescribed period of notice may be reduced in urgent cases or when the interest of the work so demands. Where it is more expedient to do so, work may be awarded without call of tenders after approval of the competent authority. Further, section 24.2.1 defines extra items of work as items that are completely new and are in addition to the items contained in the contract. This means that these are items which are required to be executed to complete the main work.

Scrutiny of records revealed that in four main works¹⁹, additional items of works viz. supply and drawing of UPT (Unshielded twisted pair) Local Area Network

¹⁷B-121, B-123 and B-132, B-222

¹⁸B-141 and B-142

¹⁹(i) Supply, installation, testing and commission (SITC) of DG Sets at New Delhi District Court Complex at Rouse Avenue, DDU Marg, (ii) External development and miscellaneous allied works in prison complex at Mandoli, (iii) SITC intelligence fire alarm system and PA system for prison complex at Mandoli, and (iv) Construction of lawyer chambers at District Court Rohini,

cable, Sewage Treatment Plant, signages, approach road and other related roads valuing ₹ 3.11 crore, were got executed as extra items though these were not directly related to main works (Annexure 3.7.2). These unrelated items, in fact, should have been executed separately after calling open tenders instead of treating them as extra items in other works.

The Department stated (September 2016) that work of LAN was under taken as per laid down procedure and the work of STP was carried out as the Jail Authorities were pressing hard for early completion of Jail. As regards lawyer chambers, Department stated that it was essential to first complete the work like area development and the proper approach roads before the building was handed over. The reply is not acceptable as the extra works were not related to the main works.

3.7.4 Completion of projects

Section 29.1 of CPWD Works Manual stipulates that time allowed for carrying out the work as entered in the contract shall be strictly observed by the contractor and the work should be proceeded with all due diligence on the part of the contractor throughout the stipulated contract period. However, out of 40 selected works for audit, six works were completed with delay ranging between 4 months and 70 months while stipulated dates of completion of other 15 projects were already over (as of August 2016) and these were running with delay ranging between 24 and 743 days (**Annexure 3.7.3**). Reasons for delay were stated as delay in handing over of sites and drawings, shifting of North Delhi Power Limited lines, non-finalization of location of fire fighting pipes, delay in receipt of no objection certificates from Irrigation and Flood Control Department (I&FCD) and shifting of DJB, BSES and IGL lines. In three works²⁰ reasons could not be verified as hindrance registers were not prepared. Thus, lack of co-ordination between PWD and other departments resulted in delay in completion of works. Resultantly, the intended benefits of these projects were also delayed.

The Department (September 2016) stated that the works were not completed due to change of design, non-execution of work in nallah during monsoon period, delay in receipt of permission for work from Railway authorities, shifting of utilities, issue/approval of drawings, taking decision by clients and delay in receipt of fire clearance. Reply is not acceptable as these factors should have been considered at the planning stage itself.

3.7.4.1 Non-levy of compensation for delay in completion of work

As per Clause 2 of the General Conditions of the Contract (GCC), if the contractor fails to maintain the required progress of work, the PWD should levy

²⁰(i) Construction of Prison Complex at Mandoli, Delhi SH: Providing fire fighting system,
(ii) Construction of Prison Complex at Mandoli, Delhi SH: SITC of LAN (DATA) System and
(iii) Construction of Prison Complex at Mandoli, Delhi SH: SITC of CCTV System and allied equipment

compensation at the rate of 1.5 *per cent* of tendered value of contract per month of delay to be computed on per day basis subject to maximum of 10 *per cent* of the tendered value. Audit observed that two works were completed with delay; yet PWD did not levy any compensation as prescribed under GCC as detailed in **Table 3.7.5** below:

Table 3.7.5: Compensation not levied for delay in completion of works

(₹ in crore)

Sl. No.	Name of work	Tendered cost	Stipulated date of completion	Actually completed on	Compensation not levied	Remarks
1	C/o Prison Complex at Mandoli, SH: Regulated environment buildings'	148.14	19.11.2010	31.3.2016	14.81	No entry was made after 10 September 2011 in the hindrance register, although work was completed after a delay of 5 years and 4 months.
2	C/o DDU College	98.08	12.2.2015	13.6.2016	7.36 (5 months)	Hindrance register was closed by SE on 20 January 2016.

The Department stated (September 2016) that extension of time (EOT) had been granted based on the hindrance recorded from time to time in case of work of Prison complex. For the work of DDU College, request for EOT had been submitted by the agency and compensation would be levied after its finalization. The reply is not acceptable as no extension of time was granted by the competent authority after September 2011, however, the work was actually completed on 31.3.2016 i.e. after a delay of 64 months.

3.7.5 Other irregularities

In construction activities, financial planning is intended to ensure that a firm has adequate safeguards and contingency plans are in place before the project is started and that the plan is properly executed over the life of the project.

3.7.5.1 Non recovery/Short recovery under Clause 10CA

As per clause 10 CA of General Conditions of Contract-2010, if after submission of the tender, price of material i.e. cement, steel reinforcement and structural steel specified in the Schedule increases/decreases beyond the price prevailing at the time of the last stipulated date for receipt of tenders, then the amount of contract shall accordingly be varied. Further, as per modification (February 2012) in the said clause, base price as indicated in the Schedule will be considered while making payment under the clause. Further, the price of material should be determined by the price indices issued by the Director General (Works) on monthly basis.

In nine works²¹ executed/ being executed by the PWD, there was non-recovery/ short recovery of amount aggregating to ₹ 15.38 crore under Clause 10 CA of the contracts. The non-recovery/short recovery was mainly due to incorrect adoption of base price month, calculation of cost variation on the basis of quantities of cement and steel actually used instead of material brought at site (MAS). This resulted in non-recovery of ₹ 7.01 crore and short recovery of ₹ 8.37 crore aggregating to ₹ 15.38 crore in 4²² and 5²³ works respectively. The delay in recovery of amount ranged between 16 and 21 months.

The Department stated (September 2016) that in respect of four works of Barapullah Phase-II, Parallel Road at Zone P-1, Residential complex at Dwarka and District Court Complex at DDU Marg, necessary recoveries would be made. With respect to four works namely Residential complex at Rohini, RCC Box underpass at Shakarpur, 200 bedded hospital at Burari and corridor improvement from Prembari Pul to Azadpur, it was stated that recoveries had been made. While recovery in respect of the work of residential complex at Rohini was made after it was pointed out in audit, entire recoverable amount was not recovered in case of two works²⁴ whereas no recovery was made in respect of work-RCC Box underpass at Shakarpur. The reply was silent about recovery in respect of work of Corridor Improvement from Vikas Puri to Meera Bagh.

3.7.5.2 Non-levy of compensation for non-submission of samples

As per condition 5.2 of Chapter-5 - 'Material Specification' of the Agreement, samples of all materials proposed to be used in permanent works shall be submitted to the E-in-C at least 30 days in advance for approval before actual materials are brought to the site for construction/ execution. Further, as per additional condition 1.27.1(xviii) of the Agreement, if the contractor fails to bring samples within the prescribed time, compensation @ ₹ 5,000 per day counted from 30 days before actual materials are brought to site with maximum amount limited to ₹ 50,000 at any single instance, should be levied.

In two works namely (i) Construction of elevated road over Barapullah Nallah starting from Sarai Kale Khan to Mayur Vihar, Delhi (Phase-III) and (ii)

²¹(i) Comprehensive development of corridor between VikasPuri and MeeraBagh, (ii) Barapullah Phase-II Nehru Stadium, (iii) C/o two nos. RCC box underpass from Ganesh Nagar Chowk to School Block, Shakarpur, (iv) C/o Residential Complex for Judicial Staff at Sector 19, Dwarka, (v) C/o New Delhi District Court Complex at Rouse Avenue, DDU Marg, New Delhi, (vi) C/o Parallel Road from Sanjay Gandhi T.P. Nagar to Wazirabad Chowk, (vii) Comprehensive Development of Corridor between Prembari Pul and Azadpur, (viii) C/o Residential Complex for Judicial Staff at Sector 26, Rohini and (ix) C/o 200 bedded Hospital at Kaushik Enclave, Burari.

²²C/o Residential Complex for Judicial Staff at Sector 19, Dwarka, C/o New Delhi District Court Complex at Rouse Avenue, DDU Marg, New Delhi, C/o Residential Complex for Judicial Staff at Sector 26, Rohini and C/o Parallel Road from Sanjay Gandhi T.P. Nagar to Wazirabad Chowk.

²³Comprehensive development of corridor between VikasPuri and MeeraBagh, Barapullah Phase-II Nehru Stadium, C/o two nos. RCC box underpass from Ganesh Nagar Chowk to School Block, Shakarpur, Comprehensive Development of Corridor (Ring Road) between Prembari Pul and Azadpur, C/o 200 bedded Hospital at Kaushik Enclave, Burari.

²⁴200 bedded hospital at Burari and corridor improvement from Prembari Pul to Azadpur

Construction of flyover on portal structure linking existing Munirka flyover in the East to the point beyond Army RR Hospital, contractors supplied 3,662.11 metric ton of TMT reinforcement and 8,542 metric ton of cement for the work of elevated road over Barapullah Nallah and 1,542.54 MT of TMT reinforcement for the work of construction of flyover on portal structure in 140, 204 and 63 instances respectively. However, neither the contractors submitted samples in advance for approval before actual material was brought to the site nor was it insisted upon by the PWD resulting in non-levy of compensation amounting to ₹ 2.04 crore.

The Department stated (September 2016) that as per paragraph 1.92 of the agreement, 38 items of approved manufactures/suppliers having standing approval required no subsequent approval. It was further stated that clause 5.2 is applicable to the material other than specified in clause 1.92 of the Agreement. The reply is not acceptable as neither paragraph 1.92 nor clause 5.2 of the Agreement exempts the contractor from submitting samples of materials in advance for testing.

3.7.5.3 Non obtaining of guarantee for aluminium work

As per paragraph 15.18 of 'Particular Specifications' included in the Agreement, all aluminium works shall carry two years guarantee after completion of the work against water leakage, unsound material and workmanship and defective anodizing. For this purpose, two years guarantee must be given by the specialized firm which shall be countersigned by the contractor in token of his overall responsibility. In addition, 10 *per cent* of the cost of aluminium items would be retained as performance guarantee of the work done. Audit scrutiny of records revealed that the work 'Construction of 330 various types of residential quarters at Mandoli' was completed in April 2015. Although aluminium work amounting to ₹ 1.01 crore was executed in this work, PWD did not retain ₹ 10.11 lakh as guarantee (10 *per cent* of the cost of aluminium work) from the contractor's bill.

The Department stated (September 2016) that the lapse occurred due to oversight adding that ₹ 30 lakh had been withheld on account of handing over of building and the said amount of ₹ 10.11 lakh would be kept and released after completion of guarantee period.

3.7.6 Conclusion

The audit highlights deficient planning and monitoring, as PWD did not invest adequate efforts and time in planning and design for the projects before their actual execution resulting in inflated detailed estimates valuing ₹ 38.68 crore and execution of extra items valuing ₹ 147.43 crore. Provisions were violated as inadmissible payment of ₹ 1.51 crore was made for items which were not included in the schedule of quantities and wasteful expenditure of ₹ 1.30 crore was incurred on feasibility studies of consultancy works which were discontinued midway. The Department failed to levy compensation amounting to ₹ 24.69 crore due to delay

in submission of drawings by consultants, delay in works and non submission of samples for testing. There was avoidable payment of ₹ 12.21 crore under price variation clause (10 CC) and non/short recovery of ₹ 15.38 crore under escalation clause (10 CA) of the agreements.

3.8 Failure to appeal against arbitral award within time prescribed in the Act

Failure of Public Works Department to challenge an arbitral award within the stipulated time resulted in rejection of the application and an opportunity lost to defend its case to avoid payment of ₹ 14.92 crore.

As per Section 34(3) of the Arbitration and Conciliation Act, 1996, an application for setting aside the award may not be made after three months from the date on which the party making that application had received the arbitral award.

The Public Works Department (the Department) awarded work of construction of a bridge across Yamuna River opposite ISBT, Kashmiri Gate, Delhi, to a private firm at a tendered cost of ₹ 9.39 crore with stipulated date of start and completion as 18 October 1984 and 17 April 1987 respectively. The firm could not complete the work even after extension of time for 20 months. Only 52 *per cent* of work was completed against which ₹ 4.06 crore had been paid to the firm. The Department rescinded the work on 5 December 1988 and blacklisted the firm for a period of five years. Remaining work was awarded to another firm in May 1989 which was completed in July 1990 at a cost of ₹ 7.95 crore.

The defaulting firm initiated arbitration proceedings and claimed payment of ₹ 8.64 crore against 27 items of works executed by it during the currency of their contract. The sole Arbitrator published his award on 18 August 2012 accepting 14 out of 27 items against which the firm claimed payment and directed the Department to pay ₹ 3.73 crore to the firm along with interest at the rate of 11 *per cent* from 1 January 1989 till the date of payment.

Audit noted (April 2016) that the Government Counsel advised (26 September 2012) that the award should be challenged in the High Court of Delhi on the grounds that (i) the Arbitrator did not decide the matter on merit, and (ii) there is infirmity and illegality in the award as the Arbitrator rejected all the counter claims of the Department and did not decide the facts on merit of the counter claims which was concurred in by the Law & Justice Department. The Principal Secretary, PWD also endorsed (13 December 2012) the proposal to challenge the award before the High Court.

The Department challenged the award only on 14 February 2013. The High Court rejected (25 February 2013) the application calling it time barred as it was filed with a delay of 89 days beyond the prescribed time limit of 90 days. The Department filed an appeal for condonation of delay before High Court which

rejected the appeal (7 May 2013). The Department filed a Special Leave Petition in the Supreme Court which rejected the petition on 29 September 2015. Ultimately, the Department paid ₹ 14.92 crore including interest of ₹ 11.19 crore to the firm on 31 March 2016.

Audit observed that delay occurred at every stage in the process of filing the first appeal in the High Court against the arbitral award as under:

- It took 38 days to obtain the advice of the Government Counsel;
- Engineer-in-Chief then took 35 days to refer the case to Principal Secretary, PWD, who conveyed his approval on 13 December 2012; and
- The Government Counsel took two months to file the appeal on 14 February 2013.

Thus, administrative delay in progressing the case resulted in the Department losing an opportunity to present its case and avoid payment of ₹ 14.92 crore.

The matter was referred to the Government in June 2016; their reply was awaited (December 2016).

Department of Training and Technical Education

3.9 Development and Modernisation of Infrastructural Facilities in Technical Institutes

With the increasing number of students, Institutes were suffering from shortage of infrastructural facilities viz. class rooms, hostels, laboratories etc. However, projects intended to cater to the increased requirement could not be progressed in a timely manner leading to both denial of benefits to the students as well as cost escalations. The project of World Class Skill Centre was lagging behind the schedule while Delhi Technological University (DTU) failed to commence construction of much needed infrastructural facilities and implement the Technical Education Quality Improvement Programme. Inordinate delay in execution of project of installation of lifts in Netaji Subhash Institute of Technology (NSIT) and construction of PG Block of Delhi Institute of Pharmaceutical Sciences and Research (DIPSAR) resulted in cost overrun of ₹ 22.29 crore.

The Department of Training and Technical Education (DTTE), GNCTD, is responsible for providing trained technical manpower for technological upgradation of industrial production, services and productivity and innovation. To assess the level of development and modernization of existing infrastructural facilities, Audit examination was carried out on four Institutes/Universities²⁵ selected on the basis of importance and budget/grants-in-aid released to them by DTTE during 2013-16.

3.9.1 World Class Skill Centre

DTTE signed a Memorandum of Understanding (MoU) on 11 July 2012 with the Institute of Technical Education (ITE), Singapore, for setting up a green field World Class Skill Centre (WCSC) in Delhi for skill development. According to the MoU, WCSC was to be developed in three stages²⁶ over five years. The Terms of Reference (TOR) were also signed (November 2012) for cooperation between DTTE and ITE Education Services Pvt. Limited, a subsidiary of ITE, for setting up of WCSC (Stage 1 Development) with funding support from Temasek Foundation, Singapore, which came into effect from 12 July 2012. As per the TOR, upon completion of Stage 1 Development, WCSC would be a Centre of Excellence in vocational education and training for five skill-based courses²⁷. Clause 15 of TOR stipulated the following timeline for Stage I:

²⁵(1) World Class Skill Centre, (2) Delhi Technological University, (3) Netaji Subhash Institute of Technology, and (4) Delhi Institute of Pharmaceutical Sciences and Research.

²⁶Stage 1 (year 1 to 3), Stage 2 (year 3 to 4) and Stage 3 (year 4 to 5)

²⁷Hospitality & Tourism, Retail Merchandising, Production & Manufacturing, Electronics and Health & Wellness.

Table 3.9.1: Timelines for Stage I development

Timeline	Activity
September 2012	Commencement of Project.
July 2013	Commencing of two courses at temporary campus (ITI, Vivek Vihar).
December 2013	WCSC to be ready at Jonapur, Delhi.
July 2014	Shifting of two courses from temporary campus to WCSC and, commencing of all the five courses with annual intake of 2,400 students.

The WCSC campus was to be ready by December 2013 but even its construction work was not started as of July 2016 as no decision could be taken on whether to run the centre in PPP mode or solely by Government. The only progress made was that an architect consultant had been appointed (March 2016) and layout plan presented (July 2016) to the Deputy Chief Minister for finalisation. Consequently, as against the planned five courses with 2,400 students, four courses with only 363 students (academic year 2015-16) were running in temporary campus which started in July 2013.

Thus, Stage I of WCSC was far behind the schedule. Stage-II could not be launched during which 15 courses with 5,000 students were planned, depriving prospective students of intended facilities for skill development.

3.9.2 Delhi Technological University (DTU)

3.9.2.1 Delay in execution of Campus Expansion Phase II

The DTU (earlier Delhi College of Engineering) shifted to its new campus at Bawana in 1996-97 where infrastructure was initially developed only for 3,000 students. After its re-constitution as DTU in 2009, the University added five new B. Tech programmes, 14 M. Tech programmes and one MBA programme during 2009-13. The student population increased from 3,000 in 2009 to 9,094 in 2013 and is likely to increase to 12,220 in the next four years necessitating construction of new academic blocks, lecture theatres and hostels. In order to cater to the increased requirements, a Cabinet note was framed (August 2013) seeking approval for construction of Phase II of campus at an estimated cost of ₹ 256 crore and new laboratories at an estimated cost of ₹ 235 crore. However, as of June 2016, only the layout plan and drawings were under preparation for which ₹ 57.13 lakh had been paid to a consultant. Thus, the expansion of DTU campus to cater to the envisaged increased intake failed to take off even six years after its initiation in February 2010.

3.9.2.2 Slow implementation of Technical Education Quality Improvement Programme (Phase II)

In 2002-03, the Government of India launched a Technical Education Quality Improvement Programme (TEQIP) with the financial assistance from World

Bank, to be implemented in three phases. While Phase I ended in March 2009, Phase II was to be implemented from August 2010 and was expected to be completed by the year 2014. For implementation of Phase II, DTTE signed an MoU with the Union Ministry of Human Resource Development in June 2013 to improve learning outcomes and employability of graduates, scaling-up post-graduate education and demand-driven research and development and innovation and establish centres of excellence for focused applicable research and training of faculty. The details of funds sanctioned, received and expenditure incurred between September 2013 and March 2016 are in **Table 3.9.2** below:

Table 3.9.2: Activity wise funds sanctioned, received and expenditure

(₹ in crore)

Sl. No.	Activities	Component	Fund sanctioned	Funds received	Expr. (%)
1.	Procurement of equipment, furniture, books and software and civil works for improvement in teaching, training and learning facilities	Procurement	5.63	2.70	0.47 (17)
2.	Teaching and Research Assistantships for significantly increasing enrolment in existing and new Masters and Doctoral programs in Engineering disciplines.	Assistant ship	2.50	1.20	1.94 (161)
3.	Enhancement of R&D and Institutional consultancy activities.	R&D	0.63	0.30	0.08 (27)
4.	Faculty and Staff development for improved competence.	FSD	1.25	0.60	0.44 (73)
5.	Enhanced interaction with industry	Industry Institute Interaction Cells	0.62	0.30	0.01 (3)
6.	Institutional Management Capacity enhancement	Capacity Development	0.25	0.12	0.05 (42)
7.	Implementation of Institutional academic reforms	Reforms	0.12	0.06	0.004 (7)
8.	Academic support for weak students	Students Support	0.25	0.12	0.04 (33)
9.	Incremental Operating Cost (IOC)	IOC	1.25	0.60	0.25 (56)
	Total		12.50	6.00	3.28 (55)

Thus, DTU received ₹ 6 crore (₹ 4.5 crore from MHRD and ₹ 1.50 crore from GNCTD) in September 2013 for various activities to be undertaken under the project. Audit observed the following:

- Only ₹ 3.28 crore out of ₹ 6 crore was utilized upto March 2016. Expenditure (except at Serial No. 2) ranged from three to 73 per cent.
- DTU could utilise only ₹ 46.68 lakh out of ₹ 2.70 crore (45 per cent of ₹ 6 crore) earmarked for procurement of equipment, furniture, books, and software and civil works for improvement in teaching, training and learning facilities. The procurement process was initiated only in January 2015 with a delay of more than one year after receiving funds.

Thus, DTU failed to improve its existing infrastructure to the intended level for want of sanction of its expansion plan, though funds were not the constraint. Less expenditure also led to non-release of remaining ₹ 6.50 crore as of July 2016.

The DTU stated (July 2016) that it could get involved in TEQIP Phase II only in March 2014 and that the project was scheduled to be completed by October 2016.

3.9.3 Netaji Subhash Institute of Technology (NSIT)

3.9.3.1 Delay in construction of Phase IV of the NSIT campus

The NSIT moved to its new campus at Dwarka in the year 1998. By September 2014, NSIT had 3,292 students, 1,213 hostellers and 169 staff families. As the existing infrastructural facilities in the campus were not commensurate with the actual requirement, the Institute planned (December 2012) to take up construction of academic block and student activity center and other facilities under Phase IV. The Standing Committee on Building and Works (SCBW) of NSIT recommended (July 2013) PWD for execution of work. However, no progress could be achieved as of November 2016 except preparation of conceptual plan and preliminary estimates.

3.9.4 Cost escalation due to delay in execution of projects

Scrutiny of records in NSIT and DIPSAR revealed that there was inordinate delay in installation of lifts in the Academic Block of NSIT and construction of PG Block of DIPSAR leading to cost escalation by ₹ 22.29 crore (₹ 1.02 crore in NSIT and ₹ 21.27 crore in DIPSAR) due to errors in preparation of preliminary estimates and delays in obtaining requisite clearances from concerned agencies like Chief Fire Officer, Delhi Urban Arts Commission and Archaeological Survey of India. NSIT informed (August 2016) that PWD had handed over two lifts and one would be handed over on 10 August 2016. DIPSAR stated (July 2016) that construction work had already been completed, internal furnishing was under progress and order for procurement of chemicals for Labs placed.

Audit observed that the increase in costs was attributable to changes in scope of work as well as increase in the cost index over a period of six years. Further, many of the clearances were received as far back as 2010-2012 and there was delay in progressing the project even thereafter. Hence, lack of diligence and avoidable

delay resulted in the cost escalation of the project by ₹ 22.29 crore as well as denying the students of the envisaged improved facilities.

3.9.5 Conclusion

Thus, undue delays in decision-making and in progressing proposals for augmenting of infrastructure resulted not only in cost escalation but also the selected institutes being unable to provide the intended skill development facilities to an increasing number of students.

The matter was referred to the Government in August 2016; their reply was awaited (December 2016).

Department of Urban Development

3.10 Inclusion of price variation clause in lump sum contract in deviation of rules

Inclusion of a price variation clause in a lump sum contract without specific approval of competent authority resulted in avoidable payment of ₹ 10.22 crore.

Sub-rules (ii) (iii) and (x) of Rule 204 of General Financial Rules stipulate that:

- (i) Standard forms of contract should be adopted wherever possible, with such modification as are considered necessary in respect of individual contracts. The modifications should be carried out only after obtaining financial and legal advice.
- (ii) In cases where standard forms of contracts are not used, legal and financial advice should be taken in drafting the clauses of the contract.
- (iii) Lump sum contract²⁸ should not be entered into except in case of absolute necessity. Where lump sum contracts become unavoidable, full justification should be recorded. The contracting authority should ensure that conditions in the lump sum contract adequately safeguard and protect the interests of the government.

Further, as per item 30 of Appendix I of CPWD Works Manual, Director General (Works) is competent to accept the tender conditions which are not in line with the standard conditions. Apart from these norms, CPWD code (Para 11.1.1 and 11.1.2) and CPWD Manual, require that lump sum contracts should be executed in Form 12²⁹ and the standard conditions prescribed in the Form 12 do not contain any clause or provision for payment for price variation.

²⁸In a lump sum contract, the contractor agrees to execute the complete work with all its contingencies in accordance with the drawings and specifications for a fixed sum (Clause 11.1.1 of CPWD Code)

²⁹Form-12 is the set of standard conditions, prescribed by Manual for use in lump sum contract.

Scrutiny of records of the work of ‘Construction of 45 Million Gallons per Day (MGD) Sewage Treatment Plant and other related associated/allied appurtenant works on Design, Build and Operate basis at Kondli, Delhi’ revealed that Delhi Jal Board (DJB) awarded a lump sum contract at a tendered cost of ₹ 190.71 crore for Civil, Electrical & Mechanical and Operation & Maintenance Works. As per the Agreement, time for completion of the work was 24 months with a defect liability period of 12 months after successful commissioning and completion of trial and run period. The stipulated date of start and completion of the work was 19 June 2008 and 18 June 2010 respectively. The civil work was completed on 28 November 2013 and plant was commissioned on 3 December 2013.

Audit noticed that DJB did not use standard form of contract prescribed for lump sum contract i.e. CPWD Form 12 and included a price variation clause in the tender form prepared by the consultant without approval of the competent authority viz. the Chief Executive Officer of DJB and without seeking advice from legal and finance departments. Inclusion of price variation clause without obtaining approvals of the competent authority following due process as stipulated in the extant rules was irregular and resulted in a payment of ₹ 10.22 crore (₹ 8.97 crore for civil work and ₹ 1.25 crore for Electrical & Mechanical work) on account of price variation.

The Executive Engineer (C) DR-IX stated (June 2016) that the estimate was approved by Resolution No. 856 dated 13 February 2001 and the award of work by Resolution No.1597 dated 15 April 2008 by DJB. It was added that since the work was awarded as per CPWD manual, no legal advice was required, and before approval by DJB, the case was concurred by the Finance Wing of DJB.

The reply is not tenable as Resolutions No. 856 and 1597 were regarding administrative approval and award of the work to lowest bidder respectively and did not cover the matter regarding approval for use of non-prescript Form for awarding lump sum contract. For such deviation, specific approval of the competent authority after obtaining financial and legal advice was required to be taken.

The matter was referred to the Government in July 2016; their reply was awaited (December 2016).

3.11 Non-recovery of cost of treated effluent water

Failure of Delhi Jal Board to have any Agreement with Delhi Development Authority before supply of treated effluent water (TEW) to its Golf Course at Bhalswa resulted in non- recovery of ₹ 3.95 crore as cost of TEW supplied for the period from April 2004 to March 2016.

The Delhi Jal Board (DJB) supplies treated effluent water (TEW) from its Sewage Treatment Plants (STPs) on charges to different agencies of the Government for horticulture, irrigation and commercial purposes. Prior to 01 April 2010, the rate

for TEW was ₹ 1.25 per kiloliter (KL) which was revised to ₹ 4 per KL from 01 April 2010 and thereafter to ₹ 7 per KL from 05 February 2014.

During the audit of the DJB division SDW-VII, NSTP Coronation Pillar for the period 2014-15, it was observed that DDA was drawing TEW for gardening/ horticulture purpose for the Golf Course at Bhalswa from Minor Irrigation Distribution Channel (MIDC) through a Pump House having three pump sets of capacity 122 cum/hour. The daily withdrawal of TEW was assessed by DJB to be 3,538 KL and DDA was requested to deposit ₹ 83.29 lakh as charges for using TEW for five years. However, there were no prior agreed modalities or Agreement between DJB and DDA for supply of TEW to DDA and the cost to be charged.

DJB pursued the issue of recovery of charges for use of TEW through letters sent in November 2009 and February 2010. In response, DDA stated (March 2010) that treated effluent was being used only for gardening purpose in Bhalswa Golf Course and there was no commercial use. It also claimed that in a meeting held at the Raj Niwas it was decided that DDA could use treated water free of cost provided pipeline was laid by it. However, DJB did not accept DDA's contention and requested DDA (03 July 2010) to deposit the amount of ₹ 80.71 lakh immediately.

In August 2011, Chief Executive Officer, DJB took up the matter with the Vice Chairman DDA and requested him to issue directions to the concerned officials to deposit an amount of ₹ 108.79 lakh towards the use of TEW for Bhalswa Golf Course for the period upto 31 March 2011. Subsequently, DJB raised updated demands on Executive Engineer, ND-1, DDA Complex, Pitampura, with a copy endorsed to Secretary, Bhalswa Golf Course (DDA) but no further progress could be made for recovery of outstanding amount. As of March 2016, the outstanding amount to be recovered from DDA accumulated to ₹ 3.95 crore for the period from April 2004 to March 2016.

Thus, failure of DJB to have any Agreement with DDA before supply of TEW resulted in non- recovery of ₹ 3.95 crore as cost of TEW supplied for the period from April 2004 to March 2016.

The matter was referred to the Government in July 2016; their reply was awaited (December 2016).

3.12 Idle investment in land

Due to lackadaisical approach of UDD in taking concrete decisions, a land measuring 3.78 acre, where ₹ 2.86 crore had been invested, was lying idle for 15-16 years, depriving the residents of Trans Yamuna area of intended facilities.

In March 2000, the Delhi State Industrial Development Corporation (DSIDC) paid ₹ 1.86 crore to DDA for land measuring 3.78 acres and took possession in

May 2000 and December 2001 to develop a Socio-Cultural Centre at Central Business District (CBD), Shahdara. In October 2001, DSIDC selected a private agency for conducting a viability study for establishing the Cultural Centre for which Urban Development Department (UDD) paid ₹ 1.96 lakh to DSIDC in January 2002. It further spent ₹ 23.91 lakh in September 2002 for construction of boundary wall, soil testing and jungle clearance. However, during presentation of viability study (June 2002), UDD withdrew the assignment from DSIDC. Audit observed that from June 2002 to December 2015, UDD could neither finalise the agency for construction and development of the complex nor the mode of funding for the project. During this period, UDD decided the executing agency on five occasions³⁰, but changed its decision subsequently, incurring an expenditure of ₹ 20.24 lakh in the process. Besides, it had to incur (April 2013) ₹ 53.81 lakh again for construction of boundary wall on the land.

In January 2016, it was decided to explore the possibility of generating revenue by allotting the premises, on daily basis, temporarily for organising functions and marriages ceremonies. However, the terms and conditions for allotment of space were yet to be finalised by DTTDC as of May 2016.

Thus, inability of UDD to concretize proposal for the cultural centre before investing in the land and thereafter in taking concrete decisions for its utilization resulted in the land remaining idle for 15-16 years despite expenditure of ₹ 2.86 crore and depriving the residents of Trans Yamuna area of intended facilities.

The matter was referred to the Government in July 2016; their reply was awaited (December 2016).

³⁰i) In June 2002, work was awarded to DTTDC on Built, Operate and Transfer (BOT) basis (withdrawn due to delay in execution of work)

ii) In July 2003, work was given to HUDCO for exploring the possibility of construction of a Habitat Centre.

iii) In June 2004, it was again assigned to DTTDC on BOT basis. DTTDC entered into agreement also with M/s IPE (June 2005) for project formulation phase consultancy.

iv) In August 2008, UDD decided to execute the project directly on Public Private Partnership (PPP) basis and entered into an agreement (June 2009) with M/s CRISIL for consultancy services.

v) Principal Secretary (UD) observed (July 2015) that the land was still vacant due to varying decisions in the past. Land was handed over to DTTDC again for creation of a Convention Centre.

Department of Food Supplies and Consumer Affairs

3.13 Follow-up Audit on Performance Audit of Department of Food Supplies and Consumer Affairs

3.13.1 Introduction

A performance audit of the Department of Food Supplies and Consumer Affairs, GNCTD covering the period 2006-11 was included in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2011 relating to the Government of National Capital Territory of Delhi. In the following year, a Chief Controlling Officer (CCO) Based Audit on the same department covering the period 2011-12 was included in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2012.

3.13.1.1 Objective, scope and methodology of audit

The performance audit contained five recommendations and 26 observations out of which 16 were actionable and the Department was required to take remedial action on them. The CCO based audit contained six recommendations and 43 observations and the Department was required to take remedial action on 18 observations. However, as a consequence of implementation of the National Food Security (NFS) Act, 2013 and issuance of Government orders subsequent to the publication of Audit Reports, 11 out of the total 34 actionable observations required no corrective action (Annexure 3.13.1). Thus, there remained only 23 actionable observations.

Audit examined records relating to the corrective action taken by the Department on these 23 observations during April to July 2016. The status of action taken on the recommendations and related observations is categorized under three categories - 'Insignificant or no progress', 'Substantial progress', and 'Full progress in all intended areas'.

3.13.1.2 Recommendations of Public Accounts Committee (PAC)

The Audit Reports of Performance Audit and CCO Based Audit have not been discussed by the Public Accounts Committee as of October 2016.

Audit findings

3.13.2 Implementation of audit recommendations/ observations

3.13.2.1 Performance Audit (2006-2011)

The category-wise status of implementation of 10 audit observations under five recommendations that were included in the PA Report is given below:

A) Insignificant or no progress

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Department	Audit findings/ comment
<p>Difference in quantities of food grains lifted as per records of Food Corporation of India (FCI), Delhi State Civil Supplies Corporation (DSCSC) and the Department:</p> <p>There were significant differences in figures of lifting of food grains provided by three agencies i.e. FCI, DSCSC and the Department. The Department had stated (December 2011) that the reconciliation of differences in figures, was being taken up.</p> <p>(Para 2.1.8.5)</p>	<p>Appropriate corrective measures should be taken to remove the discrepancies in the figures of food grains lifted as per records of FCI, DSCSC and the Department.</p>	<p>The Action Taken Note (ATN) of February 2016 had no information on reconciliation of figures which was being done in December 2011. In ATN, the Department stated that under the new National Food Security (NFS) Act, 2013, FCI issues release orders as per demand of the GNCTD, subject to the quantity allocated by the Ministry of Consumer Affairs, Food and Public Distribution, GoI.</p>	<p>During Follow-up audit, it was noticed that as far as lifting of food grains is concerned, differences in figures of FCI, DSCSC and the Department still persisted for the period 2015-16. Figures of wheat lifting were 3,50,310 MT, 3,33,835.48 MT and 3,33,256.18 MT in respect of FCI, DSCSC and the Department respectively, while in case of rice, the lifting figures were 91,570 MT, 87,015.74 MT and 86,759.36 MT respectively. However, the Department did not reconcile the differences in these three set of figures. Though called for, reasons for differences were not provided to Audit.</p>
<p>Shortfall in identification of beneficiaries under Antyodaya Anna Yojna:</p> <p>It was pointed out that, target under AAY scheme for Delhi was 1.57 lakh families out of the total Below Poverty Line (BPL) families quota fixed by the GoI. But the Department could identify only 1.01 lakh AAY families as of March 2011.</p> <p>(Para 2.1.7.3)</p>	<p>Identification of beneficiaries under Antyodaya Anna Yojna (AAY) should be expedited, so as to ensure that all the eligible beneficiaries are brought within the purview of the scheme. Timely availability of ration cards should also be ensured.</p>	<p>The Department in ATN stated (February 2016) that 1,03,332 beneficiaries were getting ration under AAY before the NFS Act came into force. Out of these, only 86,367 applied under the new scheme.</p>	<p>Audit noticed that out of 86,367 applications received, the Department identified only 76,059 AAY households (upto May 2016) against the target of 1.57 lakh households fixed by the GoI in Targeted Public Distribution System (TPDS) under Section 3(2) of the NFS Act. Reason for identification of less than target number of beneficiaries was receipt of less number of applications from persons who could benefit under AAY category.</p>

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Department	Audit findings/ comment
<p>Allocation and lifting of food grains for welfare institutions: As per the policy of the GoI, food grains (wheat and rice) were to be made available to the indigent people living in welfare institutions at the rate of 5 Kg per head per month. Audit Report highlighted shortfall in distribution against the allocation ranging from 1 to 77 per cent in case of wheat and 2 to 87 per cent in case of rice during 2006-11. The Department attributed (November 2011 and February 2012) the reason for short distribution of food grains to non-deposit of Demand Drafts by FPSs and late receipt of allocation from GoI. (Para 2.1.8.3)</p>	<p>The Department should ensure accuracy of facts and figures depicted in the utilization certificates and strengthen its machinery for their prompt submission to the Government of India.</p>	<p>The Department stated (July 2016) that after implementation of the NFS Act, the indigent people living in welfare institutions are also allocated SFAs³¹ at subsidized rates. However, there was shortfall in distribution against the allocation ranging from 2.5 per cent to 20 per cent during April 2014 to September 2015</p>	<p>Irregularity still persisted as from April 2015 to September 2015, there was shortfall of 16 per cent in distribution of wheat and 14 per cent of rice against allocations. Further, as utilization certificate for the first half (April 2015 to September 2015) was not submitted by the Department to the GoI, allocation of wheat and rice for second half of 2015-16 was withheld by GoI. As a result, food grains were not issued for indigent people living in the welfare institutions for that period.</p>
<p>Delay in submission of reports: The PDS (Control) Order provides for submission of a monthly report to the GoI by the end of the month following the month for which allocation was made, showing the utilization of food grains. There were delays in submission of these reports. (Para 2.1.11.2)</p>	<p>The Department should ensure accuracy of facts and figures depicted in the utilization certificates and strengthen its machinery for their prompt submission to the Government of India.</p>	<p>Though reasons for non-submission of the monthly report to the GoI were called for, the Department did not furnish any reply as of October 2016.</p>	<p>It was observed that no monthly report showing utilization of allocated food grains was sent by the Department to GoI during 2014-16. The Department was only endorsing to GoI a copy of the letter forwarded to DSCSC intimating monthly Fair Price Shop (FPS) wise regular allocation of food grains for various categories. GoI also did not pursue the submission of monthly reports as envisaged in the PDS (Control) Order.</p>
<p>Loss of ₹ 3.19 crore due to non-fixing of norms for the benefit of storage gain: As per norms fixed in October 2003 by GoI, storage gain in wheat procured from the State Government and its agencies was passed on to the FCI at the rate of one per cent and 0.7 per cent for</p>	<p>The monitoring mechanism should be strengthened and the inspections prescribed under control orders should be conducted at each level, so as to ensure better delivery of benefits to the intended</p>	<p>The Department again assured (July 2016) to take up the matter with FCI, but did not give any reasons for not taking up the matter with FCI for so long.</p>	<p>The Department did not take up the matter of storage gain with the FCI as of July 2016 and suffered a storage loss of ₹ 27.93 lakh on this count for the period July 2014 to July 2016.</p>

³¹SFAs: Specified Food Articles

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Department	Audit findings/ comment
<p>the wheat stored in covered and open godown respectively, but the same was not passed on further to the Department. The Department stated in November 2011 that it had not received any storage gain and would take the matter with FCI. (Para 2.1.9)</p>	<p>beneficiaries.</p>		
<p>Non-testing of quality of food grains: To ensure prescribed quality of food grains as per the PDS (Control) Order, 2001, before making payment to FCI, representatives of the State Government or their nominees and FCI should conduct joint inspection of the stock of food grains intended for issue. Audit Report pointed out that no such joint inspections were conducted to ensure quality of food grains during 2006-11. The Department stated (February 2012) that testing of quality of food grains was done by FCI as the lab facility was available with them only. (Para 2.1.10.3)</p>	<p>The monitoring mechanism should be strengthened and the inspections prescribed under control orders should be conducted at each level, so as to ensure better delivery of benefits to the intended beneficiaries.</p>	<p>The Department reiterated (July 2016) its earlier stand that testing of quality of food grains was done by FCI, adding that neither DSCSC nor it had technical staff and Lab facility to check the quality of the food grains.</p>	<p>Audit observation was on non-conducting of joint inspections and not on Lab testing of food grains. Fact remains that joint inspections of food grains are not being conducted even now.</p>
<p>Non-formation of Vigilance Committees: The PDS (Control) Order, 2001 provides for setting up a network of vigilance committees at the State level, district level, block level and FPS level. As pointed out in the Audit Report, vigilance committees were constituted only at block level in nine districts, but not at State, District and FPS level. The Department assured (February 2012) to place the matter very soon before higher authorities. (Para 2.1.10.4)</p>	<p>The monitoring mechanism should be strengthened and the inspections prescribed under control orders should be conducted at each level, so as to ensure better delivery of benefits to the intended beneficiaries.</p>	<p>The Department stated (July 2016) that formation of Vigilance Committee at FPS level was not feasible in Delhi as the concept is applicable in States having very low density of population. It was further stated that Vigilance Committees at District/State level were yet to be made.</p>	<p>Vigilance Committees at District/State level were yet to be made. No reason for such a delay was furnished to Audit.</p>

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Department	Audit findings/ comment
Manpower Management: Audit Report highlighted that against the sanctioned strength of 1,141 ministerial and Group D posts in the department, only 648 persons were in position as of March 2011 with 493 posts lying vacant. (Para 2.1.12)	The monitoring mechanism should be strengthened and the inspections prescribed under control orders should be conducted at each level, so as to ensure better delivery of benefits to the intended beneficiaries.	The Department stated (July 2016) that against a sanctioned strength of 1,142, only 526 persons were in position as of March 2016 with 616 posts lying vacant.	As the Service Department could not provide the requisite staff due to acute shortage of officials in GNCTD, the FS Department was still suffering from the shortage of staff.

B) Partial Implementation

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Department	Audit findings/ comment
Difference in allocation by GoI and by the Department: Audit Report pointed out that allocation of food grains was not based on concrete and reliable criteria during 2006-11, as quantities allocated by GoI could not be utilised in full by GNCTD. (Para 2.1.8.1)	Reconciliation of the department's allocation figures with those of the Government of India should be made at the end of every year.	The Department stated (July 2016) that after the enactment of the NFS Act, which came into effect from September 2013, allocation of specified food Articles (SFAs) was made on the basis of number of active cards/ actual beneficiaries only.	Audit observed that substantial progress has been made in this regard. The differences in allocation of wheat and rice quantities by GoI and the Department have come down from 15.72 per cent and 18.60 per cent in 2010-11 to 1.05 per cent and 0.98 per cent respectively in 2015-16.
Functioning of Fair Price Shops (FPS) and Kerosene Oil Depot (KOD): As per PDS (Control) Order, 2001, FPS owners should display details such as stock position along with issue prices, number of beneficiaries, scale of ration admissible to different categories of consumers and sample of food grains. This was, however, not being done. (Para 2.1.10.1)	The monitoring mechanism should be strengthened and the inspections prescribed under control orders should be conducted at each level, so as to ensure better delivery of benefits to the intended beneficiaries.	As per records furnished to Audit, NW Zone and New Delhi Zone regularly monitored functioning of FPSs. During 2012-16, actions were taken against 297 FPSs in North West Zone and 18 FPSs in New Delhi Zone. Show cause notices/ cancellations/ penalty orders were issued and FIRs lodged against defaulters.	Audit observed substantial progress in initiation of penal action against defaulting FPSs. As far as Kerosene Oil Depots are concerned, these have been closed in Delhi with effect from September 2013.

C) Full implementation: There was no case where full implementation was observed.

3.13.2.2 CCO based Audit (2011-12)

Status of implementation of 13 observations under six recommendations that were included in CCO Based Audit Report is given below:

A) Insignificant or no progress

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Department	Audit findings/ comment
Overall Human Resource Management: The project of full automation of Fair Price Shops (FPSs) was under process and was likely to be completed by June 2013. (Para 4.2.3)	Mechanism for updation of beneficiaries as well as FPSs and KODs needs to be strengthened as well as monitored.	As per the records, out of 2,530 FPSs in Delhi, bio-metric system based Point of Sale (POS) machines were installed only in 42 FPSs under a pilot project. Out of these, only 38 were functioning. The Department stated that reason for slow progress was poor response to the Notice Inviting Tenders on three occasions (September 2015 to March 2016).	There was little progress in the project as of 31 March 2016.
Renewal of License: Audit Report pointed out that absence of proper maintenance of data bank of due date of renewal of licenses had the potential of irregular supply of SFAs and Kerosene Oil to invalid FPSs and KODs. (Para 4.2.9.5.b)	Mechanism for updation of beneficiaries as well as FPSs and KODs needs to be strengthened as well as monitored.	The Department stated in March 2013 that work of renewal of licenses would be computerized to generate an alert at least two months in advance. In May 2016, the Department intimated that automation of licences had been initiated and requisite flow chart sent to NIC, which was under testing.	Though the Department had initiated the process of automation of FPS licences, not much progress was made. As of February 2016, only the flow chart for online FPS renewal licence was sent to NIC by Department.
Human Resource Management: As of March 2012, the department was facing shortage of 518 personnel. In spite of this, the department was utilizing available manpower on unfruitful activities like - processing and preparation of ration cards for APL-unstamped category. The department stated (March 2013) that the matter regarding issuing of APL (unstamped) cards would be examined. (Para 4.2.16)	Internal control mechanism of the department needs to be strengthened.	The Department stated that the Service Department, GNCTD could not provide requisite staff for filling vacancies. Reasons for inadequate manpower were attributed (July 2016) to the overall shortage of staff/officials in GNCTD.	As the requisite staff could not be provided by Service Department, GNCTD, the FS Department was still suffering from the shortage of staff.
Lack of strategic planning with respect to intervention in open market mechanism: The Department did not address the issue relating to upward trend of prices of essential commodities by way of evolving a strategic	The Department should develop strategy for its role in open market intervention and implement the same accordingly.	In its Action Taken Note of January 2016, the Department stated that it took initiatives to control prices through creation of buffer stock of onion and potato.	It was noticed that the Enforcement Division conducted inspections only in 2015-16, while no inspections were conducted during 2012-15. The Department created buffer stock of onion during 2014-16 to control its prices. As per the data provided to

plan to utilize the funds allocated for the purpose, and initiated no activity at any level by way of conducting raids and inspections to keep hoarding practice under check. The Department assured (March 2013) to create database to control black-marketing. (Para 4.2.15.3)			Audit, there was an increase of 94 per cent and 71 per cent in the prices of Arhar and Urad pulses respectively during January 2015 to January 2016. However, the Department did not initiate any market intervention. Though called for, reasons for inaction in this regard were awaited (August 2016).
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B) Partial Implementation

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the department	Audit findings/comment
Irregularities in renewal of FPSs and KODs: As per norms for setting up of FPSs and KODs circulated by the Department, a new FPS could be notified for a minimum of 1,000 cards and a new KOD for a minimum of 850 cards. But, the Department ignored these norms and renewed shops having number of beneficiaries far below the specified limit. The Department assured (March 2013) to take up the matter with GNCTD for rationalization of FPSs and KODs. (Para 4.2.9.5.d)	Mechanism for updation of beneficiaries as well as FPSs and KODs needs to be strengthened as well as monitored.	The Department stated (May 2016) that efforts were being made for rationalization and linking of ration cards to FPSs. Further, 96 new vacancies of FPSs were notified in March 2016 so as to transfer ration cards to new FPSs from existing FPSs having ration cards in excess of 1,200.	Audit observed that the Department issued guidelines (May 2014) to Zonal offices and Circle offices to ensure that no FPS should have more than 1,200 ration cards. Circle offices were to ensure that all the FPSs should have approximately equal number of ration cards as far as possible and card holders should be allotted FPS within one km of their address.
Unrealistic budgeting: The budget estimates were not prepared with adequate pre-budget scrutiny. The Department agreed (March 2013) to prepare budget on realistic basis and regular monitoring for future compliance. (Para 4.2.6.2)	Internal control mechanism of the Department needs to be strengthened.	The Department provided the details of budget estimate and actual expenditure from 2012-13 to 2015 - 16	Audit observed that there was improvement in the budget projections as overall savings showed a decreasing trend during 2012-16. Saving percentage decreased from 30.60 per cent in 2012-13 to 4.24 per cent in 2015-16.
Irregularities in functioning of PDS outlets in distribution of SFAs and kerosene oil: Audit Report highlighted irregularities in maintenance of sale and stock registers at FPSs, insufficient disbursement to homeless card holders, and non-allocation of additional <i>ad hoc</i> quota of food grains to AAY category, etc. (Para 4.2.10.2(c))	Internal control mechanism of the Department needs to be strengthened.	As per records furnished to Audit, NW Zone and New Delhi Zone regularly monitored functioning of FPSs. During 2012-16, actions were taken against 297 FPSs in North West Zone and 18 FPSs in New Delhi Zone. Show cause notices/ cancellations/ penalty orders were issued and FIRs lodged against defaulters.	Audit observed partial progress in initiation of penal action against defaulting FPSs. As far as Kerosene Oil Depots are concerned, these have been closed in Delhi with effect from September 2013.

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the department	Audit findings/comment
<p>Non-accountability of shortage in respect of quantities of SFAs and kerosene oil: Audit Report pointed out inaction by the Department in cases of shortages less than the prescribed limits in the selected outlets of PDS. Due to inaction, shortages were being allowed as a matter of routine without fixing any accountability (Para 4.2.13.4)</p>	<p>Internal control mechanism of the department needs to be strengthened.</p>	<p>As per records furnished to Audit, NW Zone and New Delhi Zone initiated actions for non-accountability of shortage of quantities of SFAs against 10 and 3 FPSs respectively during 2012-16.</p>	<p>Audit observed partial progress in initiation of penal action against non-accountability of shortage of quantities of SFAs against 10 and 3 FPSs respectively during 2012-16. Kerosene Oil Depots have been closed in Delhi with effect from September 2013.</p>
<p>Fair Price Shops and Kerosene Oil Depots - Allotment of Licences: As per Department's OM dated 18 June 1993, all circles Food Supply Officers (FSOs) were to draw a 40-point roster in respect of their circles for following reservation in grant of FPS authorization and KOD license. However, rosters were not maintained. (Para 4.2.9.5(a))</p>	<p>Office procedure Manual based on functional requirement needs to be developed in order to create awareness of working procedures to be followed at each level of hierarchy.</p>	<p>The Department provided the roster maintained at head-quarter.</p>	<p>There was partial implementation of the recommendation/ observation, as the roster was to be maintained at circle level, but it was being maintained at headquarters. In respect of Kerosene Oil Depots, no roster is required to be maintained, as these have been closed since September 2013.</p>
<p>Inadequate monitoring of Fair Price Shops: As per paragraph 6 (2) of Annexe to the PDS Control Order, 2001, State Governments shall ensure regular inspections of FPSs not less than once in six months by the designated authority. Audit Report pointed out that during 2011-12, the Enforcement Branch of the Department carried out only 95 inspections of FPSs against prescribed at least 4,996 regular inspections. (Para 4.2.13.2)</p>	<p>Office procedure Manual based on functional requirement needs to be developed in order to create awareness of working procedures to be followed at each level of hierarchy</p>	<p>The Department stated (June 2016) that in addition to the inspections of FPSs carried out by the Enforcement Branch, there are also inspections carried out by the Food Supply Inspectors, concerned circle FSO and Zonal Assistant Commissioner.</p>	<p>There were around 2,500 FPSs during the period 2013-16, but the Enforcement Branch conducted only 559 inspections during this period, whereas each FPS should have been inspected twice a year. In its reply, Department did not respond to the audit query as to who were the 'designated authority' under the PDS Control Order for carrying out inspections. In the absence of clear norms, Audit could not ascertain whether the routine inspections carried out by Food Supply Inspectors, FSOs and Zonal Assistant Commissioners are covered under the provisions of the PDS Control Order, 2001.</p>

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the department	Audit findings/comment
<p>Non-revision of retailer margin and undue burden of transportation cost on the beneficiaries: It was pointed out that the actual margin of sugar provided by GNCTD to FPS holder was not as per the guidelines issued by the Ministry of Food in November 1996, whereas margin on sugar was to be fixed considering various factors. Transportation cost of retailer was being recovered from economically weaker BPL cardholders, whereas it was to be borne by the GNCTD. (Para-4.2.12.4)</p>	<p>Timely steps and follow-up action needs to be taken to ensure viability of running FPSs and KODs.</p>	<p>The Department stated (May 2016) that after implementation of the NFS Act, 2013, the transportation charges are being borne by the GNCTD for all categories of cards.</p>	<p>Though transportation charges are borne by GNCTD for all categories of cards, retailer margin of sugar was not still as per Ministry Guidelines issued in 1996.</p>

C) Full implementation

Gist of observations made in earlier Report	Recommendation made	Current status as informed by the Department	Audit findings/comment
<p>Lapses in the system of identification of beneficiaries: Audit Report highlighted that no realistic, revised and fresh targets for identification of beneficiaries were adopted after March 2009. (Para 4.2.9.1.a)</p>	<p>Initiative needs to be taken to identify beneficiaries under various categories and reviewed on regular basis to eliminate bogus cards.</p>	<p>After implementation of NFS Act, there are only two categories of cards-AAY and Priority Households (PR). The Ministry of Food and Civil Supplies, GoI determined (July 2013) 72.78 lakh persons to be covered under the Targeted Public Distribution System (TPDS) for NCT of Delhi. These beneficiaries were to be identified within one year of implementation of the Act. The Department stated (May 2016) that it had achieved this target in the month of September 2015.</p>	<p>Audit observed that the Department actually achieved the target in the month of May 2016, and not in September 2015 as claimed by the Department.</p>
<p>Irregularities in preserving income documents of the household per annum: Audit Report highlighted non-furnishing of income documents to Audit in support of issuance of ration cards to the beneficiaries in case of the selected FPSs and KODs. The Department stated (March 2013) that scanning of documents was being done for all new cards. (Para 4.2.9.3.a)</p>	<p>Mechanism for updation of beneficiaries as well as FPSs and KODs needs to be strengthened as well as monitored.</p>	<p>The Department stated (June 2016) that authenticity of data is verified from Aadhar server before NFSA applications are entered in the NFSA portal for issue of Ration cards.</p>	<p>Test check of records revealed that the Department was maintaining income certificates of beneficiaries as required under the NFS Act.</p>

3.13.3 Conclusion

Thus, there was substantial implementation in respect of only two out of 10 actionable recommendations and insignificant or no progress as regard to eight

observations of the performance audit report. In CCO Based Audit Report, six recommendations were made under which 13 observations were actionable. There was full implementation in case of two observations, substantial action was taken in case of seven observations while there was insignificant or no progress in respect of four observations. Hence, the deficiencies and inefficiencies that had been highlighted in the earlier reports in the functioning of the department continued.

The matter was referred to the Government in August 2016; their reply was awaited (December 2016).



New Delhi
Dated: 14 FEBRUARY 2017

(SUSHIL KUMAR JAISWAL)
Accountant General (Audit), Delhi

Countersigned



New Delhi
Dated: 21 FEBRUARY 2017

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

