

# **Chapter-I**

## **Introduction**



## CHAPTER-I INTRODUCTION

### 1.1 Budget profile

There are 57 departments and 67 autonomous bodies in the National Capital Territory of Delhi. There are also 11 Non-Government organisations which received grants-in-aid in excess of ₹ 25 lakh in 2016-17 (**Appendix 1.1**). The position of budget estimates and actuals there against of the Government of National Capital Territory of Delhi (GNCTD) during 2012-17 is given in **Table 1.1**.

**Table 1.1: Budget and expenditure of the GNCTD during 2012-17**

(₹ in crore)										
Particulars	2012-13		2013-14		2014-15		2015-16		2016-17	
	Budget estimates	Actuals	Budget estimates	Actuals	Budget estimates	Actuals	Budget estimates	Actuals	Budget estimates	Actuals
<b>Revenue Expenditure</b>										
General services	3,128.74	5,738.57	5,792.69	5,597.48	6,763.15	5,983.40	7,055.66	6,427.12	7,210.04	6,590.28
Social services	12,616.68	11,737.43	13,134.81	12,314.54	14,800.52	13,306.11	16,193.02	14,817.83	18,431.53	16,578.89
Economic services	2,611.64	2,350.82	3,783.08	3,650.00	3,573.12	3,318.99	4,302.65	4,138.71	5,412.43	5,111.41
Grants-in-aid and contributions	833.77	832.53	804.50	804.50	900.99	900.99	958.89	958.89	1,022.44	1,021.34
<b>Total (1)</b>	<b>19,190.83</b>	<b>20,659.35</b>	<b>23,515.08</b>	<b>22,366.52</b>	<b>26,037.78</b>	<b>23,509.49</b>	<b>28,510.22</b>	<b>26,342.55</b>	<b>32,076.44</b>	<b>29,301.92</b>
<b>Capital Expenditure</b>										
Capital outlay	4,835.80	4176.63	4,889.22	4,707.42	4,937.41	4,403.94	5,308.25	4,723.47	4,686.10	3,754.30
Loans and advances disbursed	4,082.37	3,734.83	5,694.00	5,652.37	2,138.06	1,679.94	2,711.35	2,684.32	2,782.84	2,552.52
Repayment of Public Debt	1,288.00	1,287.99	1,325.29	1,325.29	1,676.75	1,346.73	1,435.18	1,435.17	1,654.63	1,654.62
Contingency Fund	0	0	0	0	0	0	0	10.00	0	0
Public Accounts disbursements	0	0	0	0	0	0	0	0	0	0
Closing cash balance	0	1,985.75	0	880.65	0	1,517.07	0	3,654.94	0	2,645.35
<b>Total (2)</b>	<b>10,206.17</b>	<b>11,185.20</b>	<b>11,908.51</b>	<b>12,565.73</b>	<b>8,752.22</b>	<b>8,947.68</b>	<b>9,454.78</b>	<b>12,507.90</b>	<b>9,123.57</b>	<b>10,606.79</b>
<b>Grand Total (1+2)</b>	<b>29,397.00</b>	<b>31,844.55</b>	<b>35,423.59</b>	<b>34,932.25</b>	<b>34,790.00</b>	<b>32,457.17</b>	<b>37,965.00</b>	<b>38,850.45</b>	<b>41,200.01</b>	<b>39,908.71</b>

*Source: Annual Financial Statements and Finance Accounts of the State Government.*

### 1.2 Application of resources of the State Government

The total expenditure<sup>1</sup> of the State Government increased by 24.63 per cent from ₹ 28,570.81 crore to ₹ 35,608.74 crore during 2012-17 while the revenue expenditure increased by 41.83 per cent from ₹ 20,659.35 crore in 2012-13 to ₹ 29,301.92 crore in 2016-17. Non-Plan revenue expenditure increased by

<sup>1</sup> excluding repayment of public debt and cash balances.

45.37 per cent from ₹ 14,160.64 crore to ₹ 20,585.33 crore and capital expenditure increased from ₹ 4,176.63 crore to ₹ 4,723.47 crore during the period 2012-16 and then decreased to ₹ 3,754.30 during 2016-17.

As a constituent of the total expenditure, revenue expenditure increased from 72.31 per cent in 2012-13 to 82.29 per cent in 2016-17 while capital expenditure decreased from 14.62 per cent to 10.54 per cent. During the period 2012-17, total expenditure increased at an annual average rate of 7.61 per cent whereas revenue receipts grew from ₹ 25,560.97 crore to ₹ 34,345.74 crore at an annual average rate of 9.16 per cent.

### 1.3 Persistent savings

In four cases, there were persistent savings of more than ₹ one crore during the last five years as in **Table 1.2**.

**Table 1.2: List of grants with persistent savings during 2012-17**

(₹ in crore)

Sl. No	Grant number and name	Amount of saving				
		2012-13	2013-14	2014-15	2015-16	2016-17
<b>Revenue (Voted)</b>						
1.	<b>Grant No. 3: Administration of Justice:</b> 2014 B.1(2)(1)-Judicial Magistrate's Courts	5.00 (14.46%)	6.04 (15.24%)	8.05 (16.85%)	15.29 (24.50%)	8.13 (13.90%)
2.	<b>Grant No.7: Medical and Public Health:</b> 2211 K 1 (3)(1)-Urban Family Welfare Centre (CSS)	1.93 (42.89%)	3.50 (71.43%)	9.21 (86.32%)	8.71 (87.10%)	17.76 (92.21%)
3.	<b>Grant No. 11: Urban Development and Public Works Department:</b> 2217 A.8(2) (1) (26)- Grant-in-aid for municipal reforms	189.87 (55.86%)	325.16 (100%)	157.12 (100%)	377.16 (100%)	40.87 (9.85%)
<b>Capital (Voted)</b>						
4.	<b>Grant No. 8: Social Welfare:</b> 5055 DD.1(3)(1)- Introduction of Electronic Trolley Buses- Alternative mode of Transport	8.39 (83.90%)	97.21 (97.21%)	3.00 (100%)	11.00 (100%)	11.73 (100%)

Source: Appropriation Accounts

Figures in parenthesis indicate percentage of Grants.

The persistent savings under these heads were attributable to non-filling of vacant posts, purchase of less store items, non/less release of grant to MCD under the scheme, non-performance by municipalities, bifurcation of grant, non-implementation of scheme, slow progress of work owing to non-receipt of funds/sanctions in time and preparation of estimates without adequate scrutiny of the projects/schemes.

## 1.4 Grants-in-aid from Government of India (GoI)

The grants-in-aid received from the GoI during the years 2012-13 to 2016-17 have been given in **Table 1.3**.

**Table 1.3: Year-wise details of Grants-in-aid from GoI**

(₹ in crore)					
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Non-Plan Grants</b>	333.57	326.91	327.95	2,905.02	1,118.71
<b>Grants for State Plan Schemes</b>	919.73	717.81	1,467.35	486.72	550.17
<b>Grants for Centrally Sponsored Schemes</b>	249.22	358.14	552.84	866.55	1,156.28
<b>Total</b>	<b>1,502.52</b>	<b>1,402.86</b>	<b>2,348.14</b>	<b>4258.29</b>	<b>2825.16</b>
<b>Percentage of increase (+)/decrease (-) over the previous year</b>	(-) 23.37	(-) 6.63	(+) 67.38	(+) 81.35	(-)33.66
<b>Revenue Receipts</b>	25,560.97	27,980.69	29,584.59	34,998.85	34,345.74
<b>GIA as a Percentage of Revenue Receipts</b>	5.88	5.01	7.94	12.17	8.23

Grants-in-aid from GoI showed a decreasing trend during 2012-14, it increased significantly to ₹ 2,348.14 crore during 2014-15, almost doubled with an increase of 81.35 *per cent* during the year 2015-16 and decreased by 33.66 *per cent* to ₹ 2,825.16 in 2016-17. Its percentage to revenue receipts ranged between 5.01 and 12.17 *per cent* during 2012-17.

## 1.5 Certification of Financial Statements of Autonomous Bodies

### 1.5.1 Arrears in finalization of accounts

The Financial Statements of the autonomous bodies are audited by the Comptroller and Auditor General of India under Sections 19 (3) and 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The Financial Statements include the Balance Sheet, the Income and Expenditure Account and/or the Receipt and Payments Account. Separate Audit Reports for each of the autonomous bodies audited contains our comments on the accounting treatment with regard to classification, conformity with the best accounting practices, accounting standards, disclosure norms, etc. **Table 1.4** provides the status of autonomous bodies which had not submitted their financial statements as of 30 September 2017 for audit.

**Table 1.4: Status of financial statements of autonomous bodies in arrears as of 30 September 2017**

Sl.	Name of Autonomous Bodies	Accounts last audited	Year of Accounts in arrear
1.	Netaji Subhash Institute of Technology	2014-15	2015-16 and 2016-17
2.	Delhi Jal Board	2011-12	2012-13, 2013-14, 2014-15, 2015-16 and 2016-17
3.	Delhi Building and Other Construction Workers Welfare Board	2013-14	2014-15, 2015-16 and 2016-17
4.	Indraprastha Institute of Information and Technology	2015-16	2016-17
5.	Guru Gobind Singh Indraprastha University	2015-16	2016-17
6.	Delhi Urban Shelter Improvement Board	Nil	Since inception w.e.f. 2010
7.	Delhi Kalyan Samiti	2013-14	2014-15, 2015-16 and 2016-17
8.	Delhi Legal Services Authority	2015-16	2016-17

Managements of the autonomous bodies are regularly reminded for timely submission of their financial statements for our audit. The matter was also taken up with the Chief Secretary, Government of NCT of Delhi in June 2017 and November 2017.

#### **1.5.2 Significant audit observations on the financial statements of Delhi Jal Board**

Separate Audit Reports on the Financial Statements of Delhi Jal Board for the years 2008-09, 2009-10, 2010-11 and 2011-12 were issued during February-June 2017. Audit reported on the financial statements of each of these four years stating that the Balance Sheet and Income and Expenditure Account dealt with by these reports were not in agreement with the books of accounts; and the said financial statements read together with the Significant Accounting Policies and Notes to the Accounts do not give a true and fair view. Significant persisting audit observations on these financial statements are as under:

(a) There was cash in hand of ₹ 51.98 crore and cheque in transit of ₹ 126.34 crore as on 31 March 2012. The Board could only furnish details of deposit of ₹ 2.66 crore cash in hand as on 31 March 2012 which was deposited with banks and details of cheques-in-transit of ₹ 52.88 crore. As a result, it has not been possible for audit to certify the existence of cash and cheques in hand as on 31 March 2012 and subsequent deposit in banks. In such circumstances, there could be possible fraud, misappropriation, and defalcation of cash (Accounting Year 2011-12).

(b) Negative closing debit balance under Bank Adjustment General Account of ₹ 325.31 crore which was positive up to previous year, has no details and therefore, Audit was unable to certify the authenticity and existence of this amount. The debit amount under this Account as on 31 March 2009, 31 March 2010 and 31 March 2011 was ₹ 38.64 crore, ₹ 62.80 crore and ₹ 89.73 crore respectively. In such circumstances, there could be possible fraud, misappropriation, and defalcation (Accounting Year 2011-12).

(c) The opening balance, utilization and closing balance of the Earmarked/Endowment Fund shown in the Balance Sheet (₹ 715.02 crore) do not match with the total of scheme-wise balances (₹ 323.79 crore) shown in the statement furnished by the Board. Thus, the opening and closing balances of the funds and expenditure incurred therefrom and correctness of classification could not be certified in audit (Accounting Year 2011-12).

(d) The Board did not have details of balances of the loans and borrowings received prior to 1998-99. Out of loans of ₹ 20,567.43 crore received in 1998-99 and onwards, the Board could furnish the sanction letters for loan amounting to ₹ 16,349.41 crore. Balance amount of ₹ 5,745.08 crore and correctness of interest expenses charged to the Income and Expenditure Account could not be verified in audit (Accounting Year 2011-12).

(e) The Board has not maintained proper fixed asset records/register for land, building, plant and machinery, capital work in progress (CWIP) and other assets indicating their location, cost, addition, deduction, cumulative depreciation, depreciation for the year etc. for each item of assets. As a result, it has not been possible to verify the authenticity and valuation of fixed assets reflected in the financial statements (Accounting Year 2011-12).

(f) Sundry Debtors of ₹ 856.49 crore could not be verified in audit due to non-furnishing of party/consumer-wise, bill-wise and age wise details of debtors, reasons for outstanding debtors, confirmation from the debtors and steps taken by Board to realize the same. It has not been possible to verify the authenticity of sundry debtors shown in the financial statements and whether the same are good for realization (Accounting Year 2011-12).

Out of the total Income from sales of ₹ 1,349.75 crore, bills for ₹ 75.05 crore were furnished to Audit and details such as Sales Register, Sales Bills, amount realized against these bills, amount outstanding against these bills for ₹ 1,274.70 crore were not furnished to Audit. In the absence of the records, Audit was unable to certify the recognition of Income from sales to the extent of ₹ 1274.70 crore (Accounting Year 2011-12).

### **1.5.3 Significant audit observation on the financial statements of Delhi Building and Other Construction Workers Welfare Board**

In Separate Audit Report issued on 6 December 2016 on the Financial Statements for the year 2013-14, we reported that proper books of accounts and other relevant records were not maintained; the Balance Sheet and Income and Expenditure Account dealt with by this report were not drawn up in the format prescribed and also were not in agreement with the books of accounts; and the said financial statements read together with the Significant Accounting Policies and Notes to the Accounts do not give a true and fair view.

#### **1.5.4 Adequacy of Internal Control System**

Internal Control System was not found adequate and was required to be strengthened in Ambedkar University (2015-16), Guru Gobind Singh Indraprastha University (2015-16), Netaji Subhas Institute of Technology (2014-15), Delhi Building and Other Construction Worker Welfare Board (2013-14), Delhi Kalyan Samiti (2013-14) and Delhi Jal Board (2008-09, 2009-10, 2010-11, and 2011-12).

#### **1.6 Planning and conduct of audit**

The audit process commences with risk assessment of various departments, autonomous bodies, schemes/projects, etc. and includes assessing the criticality/complexity of activities, the level of delegated financial powers, internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an Annual Audit Plan is formulated.

After completion of audit, Inspection Report (IR) containing audit findings is issued to the head of the office with request to furnish replies within four weeks. Whenever replies are received, audit findings are either settled/or further action for compliance is advised. Important audit observations pointed out in these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India which are submitted to the Lieutenant Governor of Delhi under Section 48 of the Government of National Capital Territory of Delhi Act, 1991.

During 2016-17, compliance audit of 207 Drawing and Disbursing Officers (DDOs) of the State and 10 autonomous bodies was conducted by the office of the Accountant General (Audit), Delhi. In addition, six Performance Audits were also conducted.

#### **1.7 Response of the Government to Audit Report**

In previous years, Audit has reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected departments, which had negative impact on the success of programmes and functioning of the departments. The focus was on offering suitable recommendations to improve service delivery to the intended beneficiaries.

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General (Audit) Delhi to the Principal Secretaries/Secretaries of the department concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report. Three Performance Audits and 13 audit paragraphs, proposed to be included in the Report of the



Comptroller and Auditor General of India on Social, General and Economic (Non-PSUs) Sectors for the year ended 31 March 2017, were sent to the Principal Secretaries/Secretaries of the respective departments. Of these, replies in respect of two performance audits and 11 audit paragraphs were not received (January 2018).

### 1.8 Recoveries at the instance of Audit

Audit findings, involving recoveries that came to notice in the course of test audit of accounts of the departments of the State Government, were referred to various departmental Drawing and Disbursing Officers (DDOs) for confirmation and further necessary action under intimation to Audit.

During the year 2016-17, against recovery of ₹ 106.53 crore pointed out in 150 cases, the DDOs concerned had effected recovery of only ₹ 1.98 crore (including recovery of previous years) in 37 cases.

### 1.9 Lack of response of the Government to Audit

The Accountant General (Audit), Delhi conducts periodical inspection of Government departments by test-check of transactions and verifies maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by issue of Audit Inspection Reports. When important irregularities, etc., detected during audit inspections are not settled on the spot, these IRs are issued to the heads of offices inspected. The heads of offices and next higher authorities are required to report their compliance to the Accountant General (Audit), Delhi within four weeks of receipt of IRs.

Based on the results of test audit, 8,691 audit observations contained in 1,940 IRs remained outstanding as on 31 March 2017, as shown in **Table 1.5**.

**Table 1.5: Details of Outstanding IRs and audit observations**

(₹ in crore)

Name of sector	As on March 2015			As on March 2016			As on March 2017		
	IRs	Paras	Amount	IRs	Paras	Amount	IRs	Paras	Amount
Social Sector	843	3,551	99.19	876	3,647	99.84	1,124	4,578	106.41
General Sector	537	3,041	448.04	594	3,455	455.30	641	3,499	457.15
Economic Sector (Non PSUs)	163	593	6,821.38	180	640	5,494.71	175	614	5,437.51
	<b>1,543</b>	<b>7,185</b>	<b>7,368.61</b>	<b>1,650</b>	<b>7,742</b>	<b>6,049.85</b>	<b>1,940</b>	<b>8,691</b>	<b>6,001.07</b>

The significant increase in number of outstanding audit observations indicates the need for Government to take effective action to address the issues raised by Audit to improve financial management and accountability.

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

To ensure accountability of the executives to the issues dealt with in various Audit Reports, the administrative departments are to initiate *suo-motu* Action Taken Notes (ATNs) on all audit paragraphs and performance audits featuring in the Audit Reports irrespective of the fact whether these are taken up for discussion by the Public Accounts Committee (PAC) or not. These ATNs are to be submitted to the PAC duly vetted by the Accountant General (Audit), Delhi within a period of three months from the date of presentation of Audit Reports in the State Legislature.

Out of 39 performance audits and 117 audit paragraphs featuring in the civil chapters of Audit Reports from 2006-07 to 2015-16, *suo-motu* ATNs in respect of 12 performance audits and 56 audit paragraphs have not been received. Six performance audits and 24 audit paragraphs have been discussed by the Public Accounts Committee/Committee on Government Undertakings, up to 31 October 2017.

### **1.11 Year-wise details of performance audits and audit paragraphs that appeared in Audit Report**

The year-wise details of performance audits and audit paragraphs that appeared in the Audit Reports for the last three years along with their money value are given in **Table 1.6**.

**Table-1.6: Details of performance audits and audit paragraphs appearing in Audit Reports during 2013-16**

Year	Performance Audits		Audit Paragraphs		Replies received	
	Number	Money value (₹ in crore)	Number	Money value (₹ in crore)	Performance Audits	Audit Paragraphs
2013-14	5	43.40	15	146.26	3	0
2014-15	4	240.04	16	1,711.58	1	3
2015-16	5	107.93	15	365.91	3	0

Fourteen performance audits and 46 audit paragraphs were issued to the State Government during 2013-16. However, replies in respect of only seven performance audits and three audit paragraphs were received from the Government/departments.

Three performance audits involving money value of ₹ 142.29 crore and 13 audit paragraphs involving ₹ 182.52 crore have been included in this Report. Replies, wherever received, have been incorporated at appropriate places.