

## Chapter IV: Municipal Services

### Delhi Jal Board

#### 4.1 Non-recovery of cess

**Delhi Jal Board failed to recover cess amounting to Rs.2.68 crore from the bills of contractors as required under the Building and Other Construction Workers' Welfare Cess Act, 1996. Due to non-remittance of the cess, the Board was also liable for penalty of a sum not exceeding Rs. 2.68 crore.**

The Government of Delhi directed in August 2005 all departments, public undertakings and bodies carrying out any building or other construction activities to deduct a mandatory one *per cent* of the approved cost of works from the bills of the contractors as cess, under the provisions of the Building and Other Construction Workers' Welfare Cess Act 1996. The amount so deducted from the contractor's bills was to be remitted within 30 days to the Delhi Building and Other Construction Workers' Welfare Board. The Act also provided for imposition of penalty not exceeding the amount of cess for non-payment of cess within the specified time. The cess was to be levied on all contracts with effect from January 2002.

Test check of records of five divisions of Delhi Jal Board (DJB) for the period 2005-06 revealed that the following divisional authorities failed to deduct the cess amounting to Rs.2.68 crore from the bills of eighteen contractors for works executed by them as below-

S. No.	Name of the Division/ Cess due	Cess due (Figure in lakh)
1	Executive Engineer (Project) SR-I	13.69
2	Executive Engineer (C) Dr.VI	2.46
3	Executive Engineer (C) Dr.XV	4.70
4	Executive Engineer (W) Construction – VII	215.39
5	Executive Engineer (Project) SR-II	32.05
<b>Total</b>		<b>268.29</b>

Further, in terms of the Act, DJB was also liable to pay penalty equal to the amount of cess i.e. Rs. 2.68 crore to the Workers Welfare Board for non-payment of cess within the specified time.

The failure on the part of the divisional authorities to deduct the cess and deposit it with the designated authority was a gross irregularity and amounted

to non compliance with the mandatory provisions of the Act. No responsibility has been fixed on the divisional authorities for the lapse.

The matter was referred to the Government and DJB in August 2006, their reply is awaited as of November 2006.

#### **4.2 Avoidable financial loss**

**DJB supplied electricity to the occupants of staff quarters at the STP Keshopur from the bulk connection meant for the STP and paid at commercial rates while recovery was effected from the occupants at nominal fixed slab rates. This resulted in avoidable financial loss of Rs. 86.86 lakh.**

Extant rules stipulate that each allottee should approach the local bodies for electricity and water connections immediately on allotment of government accommodation. The electricity charges are to be borne by the allottees. For this purpose, separate electricity connections are to be arranged from the power utility and the power consumed charged for at the prevailing domestic rates. In November 2002, conservation of electricity was identified as one of the priority areas to be attended to and it was decided that the practice of charging flat rates for connections taken from the plants should be discontinued forthwith. This was again reiterated in January 2003.

Test check of the records of the Delhi Jal Board (DJB) revealed that the Board had allotted 145 residential quarters of Types I, II and III to its staff at the STP<sup>1</sup> Keshopur between January 1990 and 1996. The power connection for these residential quarters was derived from the main bulk connection at the plant meant for operating the STP for which DJB was effecting recovery from the allottees at flat rates of Rs. 110/-, Rs.120/- and Rs.140/- for types I, II and III respectively fixed by the Board prior to December 2002 whereas electricity charges were being paid by DJB on commercial rates which ranged from Rs.2.40 per unit to Rs.4.90 per unit. Based on a monthly average consumption of 162 units per consumer, DJB sustained an avoidable financial loss of Rs. 86.86 lakh towards electricity charges paid to DVB/BRPL<sup>2</sup> for the period from April 1996 to April 2006.

---

<sup>1</sup> Sewage Treatment Plant

<sup>2</sup> BSES Rajdhani Power Limited.

It was also noticed in audit that DJB had deposited in July 1990 Rs. 22.55 lakh with the erstwhile DVB (now BRPL) for release of electricity connection directly to the staff quarters. DVB subsequently provided a sub-station for the purpose but it was yet to be energized. Despite lapse of nearly 16 years, no serious effort was made by DJB to have the sub-station energized by taking it up at an appropriately higher level and only routine reminders were sent from time to time at divisional engineers' level. The Executive Engineer stated in August 2006, that the matter would be pursued expeditiously and the power from the plant would be disconnected as soon as the sub-station is energized.

Thus, lack of serious action on part of DJB to segregate power supply to residential quarters and ensure that the allottees pay their electricity dues at the prevailing domestic rates resulted in an avoidable financial loss of at least Rs. 86.86 lakh. Moreover, the amount of Rs. 22.55 lakh paid in July 1990 to energise the sub-station meant to supply electricity to staff quarters remained blocked for sixteen years.

The matter was referred to the Government in July 2006; its reply was awaited as of November 2006.

#### **4.3 Infertuous expenditure on idle staff**

**DJB deployed departmental staff at a STP whose operation and maintenance was outsourced to a contractor. The staff remained idle for a period of 22 months though the Board suffered from staff shortages in its various other establishments. The total infertuous expenditure incurred on the idle staff was Rs.33.08 lakh by way of their pay and allowances.**

In May 1995, Delhi Jal Board (DJB) awarded the work of design, construction and commissioning of a Sewage Treatment Plant (STP) at Pappankalan to a contractor at a negotiated cost of Rs. 17.46 crore. As per the terms of the agreement, the contractor was to run the STP on trial basis for three months and then operate and maintain it for one year. Thereafter, DJB was to take over the plant. The STP was commissioned in May 2002 and the contractor handled the operation and maintenance of the plant up to the end of the contractual period viz. August 2003. However, DJB was not in a position to take over the plant due to shortage of skilled manpower and it decided to allow the contractor to continue to operate the plant during the period from September 2003 to December 2005 at a cost of Rs.3.18 lakh per month. An

amount of Rs. 82.68 lakh was paid to the contractor as of June 2006 for the period from September 2003 and October 2005.

Audit scrutiny of the records relating to the functioning of the STP revealed that the Executive Engineer had in June 2003 projected a requirement of 108 persons of different categories to operate and maintain the plant. DJB initially posted, during December 2003/ January 2004, 56 persons at the STP out of which 24 persons were immediately redeployed to various other installations/divisions. However, 14 to 32 persons remained deployed at the STP for varying periods from January 2004 to October 2005. All these departmental staff deployed by the Board remained idle during the entire period of their deployment as the STP was being operated by the contractor. No action was taken to either utilize their services at the plant or to re-deploy them where they were needed.

The matter was referred to the Government in June 2006. The Board/Government stated in July 2006 that 27 persons of different categories of qualified staff are required to run such a STP while only seven or eight persons were available. Hence, they had no option but to outsource the running of the new STP.

The reply does not address the issue of unwarranted deployment of departmental staff and their remaining idle for a period of 22 months between January 2004 and October 2005 in a plant whose operation and maintenance had been outsourced. DJB had an overall staff shortage of nearly *22 per cent* vis-à-vis their sanctioned strength with the extent of shortages ranging up to *52 per cent* in some of the technical categories. Hence, the staff unnecessarily posted in the STP could have been fruitfully utilized elsewhere in the various establishments of the Board.

Thus, unwarranted deployment of staff for nearly two years at the STP whose operation and maintenance had been outsourced coupled with failure to re-deploy them in establishments where they may have been needed resulted in infructuous expenditure of Rs.33.08 lakh towards their pay and allowances.

#### 4.4 Avoidable expenditure

**Delay on the part of the Board in complying with the requirements of a government notification allowing for excise exemption on pipes to be used in drinking water supply resulted in an avoidable expenditure of Rs. 63.54 lakh on excise duty.**

Rule 107 of the Receipt and Payment Rules stipulates that every government servant should exercise the same vigilance in respect of public expenditure as a person of ordinary prudence may be expected to exercise in spending his own money. It is thus the responsibility of those entrusted with the management of public finances to be alert to all developments which have a bearing on the expenditure being incurred by an organization and to guard against avoidable payments.

The Delhi Jal Board (DJB) entered into a contract with M/s Larsen and Toubro Ltd. (contractors) on 4 June 2001 to build a 33.948 kms long clear water transmission line from the Sonia Vihar water treatment plant to the trans Yamuna area of Delhi at a lump sum cost of Rs.111.31 crore. The contract stipulated that while the contractor would be responsible for paying all local taxes, duties and fees, the contract price shall be adjusted to take into account any increase or decrease in cost resulting from a change in the law or in the judicial or official interpretations of such laws. The Union Ministry of Finance (Department of Revenue) vide notification dated 6 September 2002 exempted pipes needed for delivery of water from its source to a water treatment plant from payment of excise duty. Such exemption was to be granted by the Deputy Commissioner (Central Excise) on the basis of a certificate to be obtained by the applicant from the Deputy Commissioner of the district in which the plant is located to the effect that the goods were cleared for the intended use. The exemption came into effect from the date of issue of the notification viz. 6 September 2002.

Test check of the records of DJB for the period 2004-05 revealed that on coming to know of the exemption, the Board, without fulfilling the mandatory requirements of the notification, merely requested the contractor on 9 October 2002, i.e. over one month after the issue of the notification, to avail of the benefit and pass it on to DJB. The contractor requested DJB on 21 October 2002 to obtain the requisite user certificate from the Deputy Commissioner concerned. Thereafter, DJB applied to the Deputy Commissioner North East District on 29 October 2002 for claiming the exemption of excise duty on the pipes which was issued on 8 November 2002. Subsequently, the contractor applied to the Deputy Commissioner (Central Excise) for grant of the

exemption on 18 November 2002 which was accorded on 24 December 2002. In the meantime, the contractor continued to receive the pipes from their suppliers on payment of excise duty during the period from 6 September to 8 November 2002. Though the Board attempted through the contractor and its suppliers to obtain the benefit of the exemption from the date of issue of the notification and for refund/adjustment of the excise duty already paid, this was not agreed to by the Central Excise authorities and the exemption was allowed only from the date of the application to the Central Excise authorities viz. 18 November 2002. Consequently, DJB had to release Rs.63.54 lakh to the contractor in January 2005 on account of the excise duty paid by them during the period from 6 September to 8 November 2002. Had the Board followed the stipulations of the notification and applied for the requisite certificate from the Deputy Commissioner immediately on issue of the notification instead of routinely writing to the contractor to avail of the benefit and simultaneously asked the contractor to hold in abeyance the purchase of the pipes till receipt of the exemption from the Central Excise authorities, this expenditure could have been avoided.

Thus, laxity on the part of the Board in initiating appropriate action in accordance with the notification coupled with failure to hold in abeyance receipt of the pipes till the exemption was obtained resulted in avoidable expenditure of Rs.63.54 lakh.

The matter was referred to the Government in May 2006; its reply was awaited as of November 2006.