OVERVIEW

This Report includes two chapters on the state of finances and the Appropriation Accounts of the Government of National Capital Territory (NCT) of Delhi for the year 2005-06 and three other chapters comprising of 27 paragraphs dealing with the results of audit of the financial transactions of the Government including its commercial and trading activities and an appraisal of the Operational Performance of the Delhi Transport Corporation. The final chapter of this report contains an appraisal of the internal control systems prevalent during the last five years up to March 2006 in the Government of NCT of Delhi. A synopsis of the audit findings are presented in the overview.

Accounts of the Government of NCT of Delhi

During 2005-06, the total receipts and expenditure of the Government of NCT of Delhi on revenue account were Rs. 10,843 crore and Rs.6,515 crore respectively which yielded a revenue surplus of Rs. 4,328 crore. The loans and advances disbursed by the Government during the year were Rs. 2,900 crore while the recoveries were merely Rs. 320 crore. The Government of NCT of Delhi borrowed Rs. 5,896 crore from the Union Government during the year.

(Paragraphs 1.4, 1.8, 1.13, 1.16 & 1.17)

Revenue receipts increased from Rs.8,563 crore in 2004-05 to Rs. 10,843 crore in 2005-06. The share of tax revenue in total revenue receipts was Rs. 8,939 crore which constituted 82 *per cent* of the total revenue receipts. Sales tax/ Value Added Tax continued to be the major contributor to tax revenue constituting 73 *per cent* of the total tax revenue.

(Paragraphs 1.4 & 1.5)

Revenue expenditure increased by 11.80 *per cent* from Rs. 5,828 crore in 2004-05 to Rs. 6,515 crore in 2005-06. Capital expenditure increased by 5.39 *per cent* from Rs. 1,425.52 crore in 2004-05 to Rs. 1,502.42 crore in 2005-06. Loans by the NCT Government decreased by 14.50 *per cent* from Rs. 3,320.77 crore in 2004-05 to Rs.2,900.26 crore in 2005-06.

(Paragraphs 1.8 & 1.13)

Outstanding loans given by the NCT Government to local bodies, autonomous bodies, cooperative institutions, public sector and other undertakings and government departments increased from Rs.25,144.02 crore in 2004-05 to Rs. 27,724.60 crore in 2005-06 which constituted an increase of 10.26 *per* *cent* indicating that the government agencies relied more on borrowings from Government rather than raising their own resources.

(Paragraph 1.13)

Government of NCT of Delhi made an investment of Rs. 348.47 crore in 2005-06 in government companies bringing the total investment in Government companies, statutory corporations and co-operative societies at the end of March 2006 to Rs. 2,063.66 crore. The dividend received was however only Rs. 38.62 crore.

(Paragraph 1.15)

During 2005-06, entire provision remained unutilised against 193 schemes under revenue section and 61 schemes under capital section which was indicative of poor planning and budgeting.

(Paragraphs 1.19.5 & 1.19.6)

Appropriation Accounts

While the total expenditure of the departments increased by 33 *per cent* from Rs. 9,302.99 crore in 2001-02 to Rs. 12,363.96 crore during 2005-06, the voted expenditure increased by 26.84 *per cent* from Rs.8,113.80 crore in 2001-02 to Rs.10,291.67 crore in 2005-06. Charged expenditure has increased by 74.26 *per cent* from Rs. 1,189.19 crore in 2001-02 to Rs. 2,072.29 crore in 2005-06 largely on account of increased debt servicing.

(Paragraph 2.3)

During 2005-06, Government of NCT of Delhi was authorized Rs. 12,426.02 crore as Original Grant and Rs. 3,175.54 crore as Supplementary Grant. Against this total provision of Rs. 15,601.56 crore, the total expenditure aggregated to Rs. 12,363.96 crore. There were savings of Rs. 3,237.60 crore which constituted 20.75 *per cent* of the total grant for the year.

(Paragraph 2.4)

Against the total savings of Rs. 3,237.60 crore, an amount of Rs.318.55 crore was surrendered on the last day of the financial year. The remaining savings of Rs. 2,919.05 crore were not surrendered thereby depriving the Government of the opportunity of using these funds in other needy sectors.

(Paragraph 2.5.2)

The Departments of General Administration, Home and Medical & Public Health obtained supplementary grants in anticipation of higher expenditure. The entire amount of supplementary provision amounting to Rs 5.82 crore, Rs. 8.01 crore and Rs.10.09 crore respectively proved to be unnecessary as the final expenditure of all the three departments was less than even the original grant.

(Paragraph 2.5.5)

Funds amounting to Rs. 58.75 crore received from the Central Government for implementation of 160 Centrally Sponsored Schemes up to the end of 2005-06 remained unutilised as on 31 March 2006.

(Paragraph 2.5.7)

In 10 grants, rush of expenditure (including charged and voted) ranging from 15.05 *per cent* to 70.97 *per cent* of the total expenditure of the year 2005-06 was incurred in the month of March.

(Paragraph 2.5.10)

Civil Departments

Education Department

Undue delay in implementing of computer education

Delay on the part of the Directorate of Education in finalising arrangements for Computer Education Project-V deprived about 1.97 lakh students of government schools in Delhi of the intended benefit of computer education for the bulk of the academic session 2005-06. It also resulted in idling of equipment worth Rs.12.37 crore for one year.

(Paragraph 3.1)

Unfruitful expenditure

Undue delay in the Directorate of Education in shifting of computer systems and IT assistants, leased from a private contractor to schools for which they were intended, resulted in non-utilization of computers and the services of IT assistants and unfruitful expenditure of Rs.58.42 lakh.

(Paragraph 3.3)

Health and Family Welfare Department

Idle investment on medical equipment

Satyavadi Raja Harish Chander hospital authorities did not plan and synchronize the procurement of an ultra sound machine and three ventilators with the deployment of technical staff required to operate them. No action was also taken to expeditiously install anaesthesia machines. This adversely affected patient care despite the expenditure of Rs.1.08 crore.

(Paragraph 3.4)

Irrigation and flood control department

Unfruitful expenditure due to foreclosure of a work

Failure of the department to adhere to codal provisions and ensure removal of hindrances before preparation of estimates and award of work though they were known to the divisional authorities even at the time of preparation of estimates resulted in pre-mature foreclosure of the work and unfruitful expenditure of Rs.18.31 lakh.

(Paragraph 3.5)

Department of Power

Release of funds received under the Accelerated Power Development Reforms Programme.

Release of funds of Rs.105.51 crore under the APDRP to private DISCOMs was not in conformity with the APDRP guidelines. There was also short recovery of interest of Rs.56.63 lakh and outstanding dues of Rs.1.74 crore.

(Paragraph 3.6)

Public Works Department

Un-authorised expenditure

Executive Engineer incurred an expenditure of Rs.68.08 lakh on a work without obtaining administrative approval and expenditure sanction of the competent authority by debiting it to two different plan works in disregard of the rules.

(Paragraph 3.7)

Avoidable expenditure on cost escalation

Persistent failure of the Public Works Department to supply necessary architectural/structural designs and clear sites as envisaged in the codal provisions and in the terms of the contract resulted in both delay in completion of works and avoidable additional expenditure of Rs.1.17 crore

(Paragraph 3.9)

Avoidable expenditure on watch and ward and upkeep of the closed hot mix plants

The Supreme Court had directed in October 1996 the closure of all hot mix plants located in Delhi to curb pollution. However, two divisions were yet to dispose off two hot mix plants despite lapse of nearly nine years resulting in avoidable expenditure of Rs.57.97 lakh on their watch and ward and upkeep.

(Paragraph 3.10)

Irregular expenditure on deployment of personnel

Deployment of personnel in excess of sanctioned strength and engaging of private security guards by four Public Works Divisions without approval of competent authority resulted in irregular expenditure of Rs.1.53 crore.

(Paragraph 3.11)

Execution of work without technical sanction

Executive Engineer, PWD Divison XX undertook a work of improvement of road without a comprehensive technical assessment. This resulted in the work remaining incomplete leading to possibility of early deterioration of the road condition despite expenditure of Rs.78.41 lakh.

(Paragraph 3.12)

Department of Training and Technical Education

Misappropriation of Government money

Failure of the departmental authorities to enforce strict adherence to the extant rules relating to receipt and handling of government dues coupled with ineffective internal control mechanisms resulted in misappropriation of government funds of Rs.1.35 lakh which could be recovered subsequently at the instance of audit.

(Paragraph 3.13)

Delhi Jal Board

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. This failure to deduct the cess and deposit it with the designated authority amounted to non-compliance with the mandatory provisions of the Act. Due to non-remittance of the cess, the Board was also liable for penalty of a sum not exceeding Rs. 2.68 crore.

(Paragraph 4.1)

Avoidable financial loss

Delhi Jal Board supplied electricity to the occupants of staff quarters at the Sewage Treatment Plant (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.

(Paragraph 4.2)

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 avoidable expenditure of Rs. 63.54 lakh on excise duty.

(Paragraph 4.4)

Government Commercial and Trading Activities

As on 31 March 2006, there were nine Government Companies with total investment of Rs.6,205.65 crore (equity Rs.709.29 crore, long-term loans Rs.5,496.36 crore) and two Statutory Corporations with total investment of Rs.4,285.68 crore (capital Rs.129.88 crore, share application money Rs.12.94 crore and long-term loans: Rs.4,142.86 crore).

The accounts of three of these nine working Government Companies were in arrears for periods ranging from one year to eleven years as of September 2006. Both the Statutory Corporations viz. Delhi Transport Corporation and Delhi Financial Corporation had, however, finalized their accounts for the year 2005-06. While the Delhi Transport Corporation had accumulated losses aggregating to Rs.4,008.46 crore which far exceeded its paid-up capital of Rs.117 crore, the Delhi Financial Corporation earned a profit of Rs.7.81 crore.

(Paragraphs 5.1 to 5.9)

Delhi Transport Corporation

Operational Performance of the Delhi Transport Corporation

The Delhi Transport Corporation (DTC) was established on 2 November 1971 by the Government of India under Section 3 of the Road Transport Corporations Act, 1950, to provide an efficient and economical public transport service in Delhi. The control of the Corporation was transferred to the Government of Delhi with effect from 5 August 1996 with a fleet strength of 2,636 buses and 30,779 employees after waiving off capital and ways and means loans and interest accrued thereon in order to enable the Corporation to make a fresh start. Performance review of the Operational performance of DTC revealed inter alia the following:

- The Corporation continued to incur losses since its inception. The cumulative losses increased from Rs.1,082.14 crore in 2001-02 to Rs.4,008.46 crore in 2005-06 eroding its entire paid-up capital of Rs.117 crore.
- Load factor decreased from 83 *per cent* in 2001-02 to 74 *per cent* in 2005-06. One of the reasons for the poor load factor was curtailment of scheduled kilometers due to late out-shedding resulting in revenue loss of Rs.6.47 crore.
- The Corporation lost an opportunity to earn additional revenue of Rs.10.84 crore due to its failure to re-deploy CNG buses having more earnings per kilometer (EPK) to city operations and replacing them with diesel buses on inter-state routes. Avoidable curtailment of lucrative routes coupled with non-operation of scheduled kilometers for want of conductors resulted in loss of revenue of Rs.1.94 crore. Administrative laxity in obtaining fitness certificates for its buses also resulted in revenue loss of Rs.9.90 crore.
- Consumption of CNG, engine oil and coolant in excess of the prescribed norms resulted in extra expenditure of Rs.18.61 crore.
- No targets were fixed for tasks/jobs in the central workshop after 1999-2000. Failure of the central workshop to ensure timely availability of engine assemblies resulted in loss of revenue of Rs.17.81 crore.

- Poor and inefficient inventory management led to loss of 3.26 lakh bus days and consequent revenue loss of Rs.52.33 crore.
- Delay in utilisation of plan loans as well as ad hocism and delay in investment of unutilised plan funds resulted in loss of Rs.3.60 crore.
- Failure to adhere to mandatory statutory provisions relating to remitting of provident fund dues resulted in payment of damages of Rs.10 crore and short deposit of Rs.4.92 crore into the DTC EPF Trust.
- Receipts from advertisements constitute the major source of non-operating income of the Corporation. Inconsistencies in acceptance of offers coupled with injudicious decision-making resulted in loss of Rs.4.21 crore.

(Paragraph 5.10)

Corporate governance in state government companies

There remained huge scope for improvement in corporate governance practices in the PSUs. The attendance of some of the Directors in the Board meetings was not regular. In some companies, the Audit Committee did not hold the required number of meetings while others did not review the issues relating to fraud and fraud risks. One company (DSCFDC) could not enforce the preparation of up to date annual accounts pending for the last eleven years which has exposed the Company to fraud and fraud related risks.

(Paragraph 5.11)

Delhi Transco Limited

Information Technology audit of Payroll and GPF applications

Lack of adequate validation checks coupled with deficiencies in system design in payroll and GPF applications undermined the utility and reliability of the systems in place. Many of the deficiencies existing in the old payroll application continued even in the new payroll system installed in April 2006. While an IT Steering Committee had been constituted, it failed to meet regularly and provide the necessary guidance and direction.

(Paragraph 5.12)

Loss due to unnecessary availing of loan

Acceptance of a loan for execution of rural electrification projects though the company was not involved in such schemes resulted in an avoidable payment of interest of Rs.16.21 lakh.

(Paragraph 5.13)

Indraprastha Power Generation Company Limited

Non-adherence to the instructions relating to advertisements resulted in avoidable expenditure of Rs.1.12 crore.

(Paragraph 5.14)

Delhi Power Company Limited

Undue delay in transferring Rs.42.45 crore lying in 54 non-operative bank accounts and placing them in liquid term deposits resulted in loss of interest of Rs.2.71 crore.

(Paragraph 5.15)

Implementation of Bar Coding systems in Government companies

Lack of seriousness on the part of the managements of Delhi State Civil Supplies Corporation Limited and Delhi Tourism and Transportation Development Corporation Limited in implementing Government's direction for introduction of bar coding systems in sale of liquor to facilitate proper inventory control and eliminating unscrupulous sales resulted in both failure of the system and unfruitful expenditure of Rs.59.22 lakh.

(Paragraph 5.16)

Delhi Tourism & Transportation Development Corporation Limited

Failure to ensure adherence to stipulated rules relating to execution of works coupled with failure to levy compensation for delays attributable to contractors despite clear enabling provisions in the contracts resulted in both delays in completion of projects as well as avoidable expenditure of Rs.5.79 crore by way of cost escalation.

(Paragraph 5.17)

Deficient assessment of fund requirement and poor financial management resulted in avoidable payment of interest of Rs.38.37 lakh.

(Paragraph 5.18)

Delhi Financial Corporation

Lack of adequate pre-sanction scrutiny and acceptance of collateral security based on false or misleading documents resulted in non-recovery of Rs.1.45 crore

(Paragraph 5.19)

Failure to safeguard the prime security of machinery after taking possession of it coupled with lack of adequate pre-sanction scrutiny to ensure unencumbered title of collateral security and poor monitoring of the activities of the loanee resulted in non recovery of Rs.61.63 lakh.

(Paragraph 5.20)

Internal Control System in the Government of NCT of Delhi

An appraisal of the internal control system in the Public Works Department of Government of Delhi revealed shortfalls in conducting of the prescribed administrative inspections ranging from 60 *per cent* to 100 *per cent* in six circles during the period 2001-2006. No reports were either being sent by the Superintending Engineers nor was their receipt being monitored by the Chief Engineers. Even the Chief Engineers of the respective zones had not carried out the prescribed inspections during the last five years. Quality Assurance Teams are to inspect all works costing Rs.70 lakh and above at least three times during their execution. As against the minimum of three inspections per project to be carried out in respect of 67 major works during the period from 2001-02 to 2005-06, only 45 inspections were actually carried out. PWD did not have its own internal audit wing and Directorate of Internal Audit of the department of Finance conducted only one internal audit of one division during the period of five years. Only 22 internal audit paras were settled during this period leaving a balance of 276 outstanding paras as of 31 March 2006.

(Paragraph 6.2.4)

There was a continuing shortfall in coverage of units by the Directorate of Internal Audit of the Department of Finance during the period 2001-2006 with reference to targets set every year except during 2003-04 ranging from 11.4 *per cent* to 24.7 *per cent*. The number of outstanding paras increased from 38,757 in 2001-02 to 41,252 during 2005-06 and the percentage of paras settled during the year was significantly low ranging between two to four *per* *cent* only. These included those involving recoveries of Rs.7.19 crore to be effected by different government departments.

(Paragraphs 6.3.1 & 6.3.2)

At the instance of Accountant General (Audit) Delhi, the Government had activated the ad-hoc State Level Audit Committees in September 2003. As a result of functioning of these committees, there was a net reduction of 3,254 outstanding audit objections as on 31 March 2006 as compared to 31 March 2005. However, given the fact that 8,170 paras were still outstanding, efforts need to be intensified by both the Finance Department as well as the various departments to expedite compliance to pending observations of statutory audit.

(Paragraph 6.3.5)