

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 2007-08 and four chapters comprising results of three performance audits, 19 paragraphs dealing with the results of audit of the financial transactions of the Government including the internal control systems prevalent in Department of Food, Supplies and Consumer Affairs of Government of NCT of Delhi and appraisal of its commercial and trading activities. A synopsis of the audit findings are presented hereunder.

Financial position of the Government of NCT of Delhi

The fiscal performance of NCT of Delhi viewed in terms of key fiscal parameters – revenue, fiscal and primary deficits indicates mixed trend as revenue surplus has improved (Rs. 703.73 crore) while deterioration was observed in fiscal deficit (Rs. 1630.49 crore) and primary surplus (Rs. 2263.26 crore) during 2007-08 over the previous year. These trends are to be linked with capital expenditure which has increased by Rs. 2015.04 crore (26 *per cent*) in 2007-08 over the previous year. The appreciable feature of the expenditure pattern during the year was that it has steadily changed in favour of capital expenditure, plan expenditure and expenditure on social services. The share of revenue expenditure remained on an average around 80.15 *per cent* during the period 2003-08. During 2007-08 the share of revenue and capital expenditure in total expenditure were 72 and 28 *per cent* respectively. However, recovery of interest receipts as *per cent* to outstanding loans and advances disbursed by the NCT of Delhi remained grossly inadequate. Moreover, the investments of government of NCT of Delhi yielded negligible rate of return.

Appropriation audit and control over expenditure Accounts

Appropriation accounts presents the details of amount actually spent vis-à-vis the amount authorized by the state legislature. During 2007-08, Government of NCT of Delhi was authorized Rs. 18,578.03 crore as Original Grant/Appropriation and Rs. 758.56 crore as Supplementary Grant/Appropriation. Against the total provision of Rs. 19,336.59 crore, the total expenditure aggregated to Rs. 18,218.49 crore. There were savings of Rs. 1,118.10 crore which constituted 5.78 *per cent* of the total grant/appropriation.

Performance Audit

Department of Health and Family Welfare

Performance audit on procurement of drugs and medical equipment and its impact on delivery of health services in Delhi

- The Department of Health and Family Welfare of GNCT Delhi caters to the health needs of nearly 1.70 crore population of Delhi. As per the drug policy (April 1994) of Delhi government, drugs would be procured at reasonable prices. During 2003-08, expenditure on Supplies, Material, Machinery and Equipments constituted about 23.32 to 28.29 *per cent* of the budget allocated under the medical grant.
- Performance audit of procurement policy, procedures and practices in the Department of Health and Family Welfare revealed that standard pharmaceutical practices were not followed and the procurement processes were ad-hoc. The essential drug list (EDL) was not exhaustive and the department failed to finalize rate contracts of all EDL drugs.
- The department could not ensure that all the drugs and surgical items were tested before issue to patients as no database of supplies was maintained. 80 *per cent* of payments were released on receipt of equipments and final bills were not received for adjustment.
- Due to lack of effective monitoring status of supplies, performance of suppliers, installation of equipments, etc. compliance of crucial terms and conditions of agreements finalized such as fall clause, security deposits, delayed supplies and risk purchase could not be ensured by any of indenting units test checked which ultimately affected patient care adversely.

Municipal Services

Performance audit on Improvements and strengthening of urban roads by MCD

- The department of Urban Development of Delhi Government is the administrative department that releases funds to MCD for the execution of the schemes. Delhi has a total road network of 30923 kms (as on March 2007). Out of this 27139 kilometers is with MCD.

- Performance audit on ‘improvements and strengthening of urban roads’ by MCD revealed that the schemes were not being executed in totality. Components like improvement of drainage systems were being left out causing premature deterioration of the roads.
- An abnormal delay of three to over 12 months was noticed in award of 83 works which resulted in cost escalation of Rs. 12.07 crore. Large numbers of works were lying incomplete even after the stipulated date of completion.
- MCD carried out quality checks in only 53 *per cent* cases of the works.
- MCD accepted the substandard works during monsoon season although CRRI had thrown up defects in most of the works. The works were neither rectified by the contractors nor were compensations recovered.

Audit of Transactions

- Audit of financial transactions, subjected to test check, in various departments of the NCT of Delhi showed instances of Embezzlement, non-recovery, excess payment, wasteful expenditure, idle investment, irregular expenditure etc. of over Rs. 25.30 crore as mentioned below :
- Embezzlement, unintended benefits, losses were noticed in the Department of Training and Technical Education (Rs. 5.66 lakh) and Delhi Jal Board (Rs. 0.50 crore) and Department of Social Welfare (Rs. 0.14 crore).
- Excess payment/non-recovery of payment were noticed in the Department of Health and Family Welfare (Rs. 0.40 crore), Delhi Jal Board (Rs. 3.21 crore) and Department of Forest and Wildlife (Rs. 6.61 crore).
- Idle investment/Blockage of funds/Avoidable extra payments were noticed in Department of Social Welfare (Rs. 1.03 crore), Department of Public Works (Rs. 4.04 crore) and Department of Revenue (Rs. 9.31 crore).
- Transport Department went ahead with the construction of BRTC ignoring the cautions of large number of agencies on design of the Project as a result of which the concept got unpopular because of the traffic congestion it brought about.
- Trans Yamuna Area Development Board did not identify the deficiencies in the existing infrastructure and formulate unified area plan for accelerated growth of the Trans Yamuna Area. Instead, it was allocating adhoc funds to MLAs and recommending works of routine nature falling

under the designated responsibilities of executing agencies. The mechanism for monitoring of implementation of works was not in place.

Internal Control System in the Government of NCT of Delhi

Department of Food, Supplies and Consumer Affairs (DF&S) is responsible for implementation of Public Distribution System (PDS) aimed at ensuring availability of food grains/specified food articles (SFA) at affordable prices and enhancing the food security for the poor. An appraisal of the internal control system in DF&S revealed many inadequacies in key areas of performance. Non-observance of budgeting procedure such as compilation of inputs from field offices made budget provisions unrealistic and resulted in savings ranging from 19.54 *per cent* to 60.80 *per cent* in plan head of budget allocations during 2003- 06.

Government Commercial and Trading Activities

- As on 31 March 2008, the State had nine Government companies, two Statutory corporations and one Electricity Regulatory Commission. The total investment in 11 working PSUs was Rs. 13,680.18 crore. Out of nine working Government companies and two Statutory corporations, six Government companies and two Statutory corporations had finalized their accounts for the year 2007-08. The accounts of two working Government companies were in arrears for the periods ranging from one to eight years as on 30 September 2008. According to latest finalized accounts, three companies and one corporation had incurred an aggregate loss of Rs. 127.67 crore and Rs. 1222.98 crore respectively while six companies and one corporation earned an aggregate profit of Rs. 195.62 crore and Rs. 8.11 crore respectively.

(Paragraphs 6.1, 6.2.1, 6.3.4, and 6.4)

- Delay in registration under the Sales Tax Act deprived the Company Pragati Power Corporation Ltd. of the benefit of payment of sales tax at concessional rate and resulted in avoidable additional expenditure of Rs. 6.20 crore.

(Paragraphs 6.11)

- Delhi Power Company passed on its legitimate income in terms of incentive of Rs. 600.28 crore received from timely payment of CPSUs' dues to Delhi Transco Limited without a quid pro quo resulting in net surplus for DTL of Rs. 196.17 crore to be distributed amongst DISCOMs. This would lead to unjust enrichment of the private power distribution companies to the extent of Rs. 183.89 crore.

(Paragraphs 6.12)

- The Delhi Tourism and Transportation Development Corporation Ltd. failed to arrive at a decision about consistent loss making liquor vends; undertook construction of neighborhood cultural centres without soliciting approvals from local bodies; allowed banqueting in coffee home at Ajmal Khan Park to a private party entailing demolition of the coffee home by MCD and kept the land obtained at subsidised rates for construction of coffee homes idle resulting in blockage of funds to the tune of Rs. 4.73 crore and avoidable loss of Rs. 2.42 crore.

(Paragraphs 6.16)