

## Chapter 1

### INTRODUCTION

#### 1.1 About this Report

This report of the Comptroller and Auditor General of India relates to matters arising from compliance audit of the financial transactions of the Government of NCT of Delhi and its public sector undertakings.

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the auditee units to ascertain whether the provisions of Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

The primary purpose of the Report is to bring important results of audit to the notice of the Legislature. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organizations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant audit observations followed by a brief analysis of the follow-up on audit reports. Chapter 2 of this report contains findings/observations arising out of the performance audit of Departments of the Government of Delhi and some of the major units/autonomous bodies under their control. Chapter 3 contains observations on audit of transactions in Government Departments and autonomous bodies. Chapter 4 presents an assessment of internal controls in the Transport Department of Delhi. Chapter 5 contains findings/observations arising out of the performance audit of Statutory Corporation and findings arising out of the transaction audit of Delhi State Public Sector Undertakings. Weaknesses in project management, financial management, internal controls etc, of various Departments of the Government of Delhi are highlighted in the report through paragraphs.

#### 1.2 Auditee profile

There are 56 departments in the state at Secretariat level, headed by Pr. Secretary/Secretary who are assisted by Directors/Commissioners and subordinate officers including 50 autonomous bodies.

The comparative position of expenditure incurred by the Government of NCT of Delhi during 2008-09 and in the preceding two years are given below:

**Table 1.1: Comparative position of expenditure trends by Activities**

(Rupees in crore)

Distribution	2006-07			2007-08			2008-09		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
<b>Revenue expenditure</b>									
General services	76.31	2734.07	2810.38	120.49	3128.77	3249.26	89.60	3344.96	3434.5
Social services	1701.05	2146.13	3847.18	2876.04	2346.06	5222.10	3419.98	3179.39	6599.3
Economic services	243.29	322.78	566.07	332.48	299.37	631.85	434.57	838.13	1272.7
Grant-in-aid and contribution	-	531.84	531.84	-	667.32	667.31	-	455.95	455.9
<b>Total</b>	<b>2020.65</b>	<b>5734.82</b>	<b>7755.47</b>	<b>3329.01</b>	<b>6441.52</b>	<b>9770.52</b>	<b>3944.15</b>	<b>7818.43</b>	<b>11762.5</b>
<b>Capital expenditure</b>	1931.09	-148.15	1782.94	3761.36	3.10	3764.46	3992.21	3.19	3995.4
<b>Total</b>	<b>3951.74</b>	<b>5586.67</b>	<b>9538.41</b>	<b>7090.37</b>	<b>6444.62</b>	<b>13534.98</b>	<b>7936.36</b>	<b>7821.62</b>	<b>15757.9</b>

### ▶ 1.3 Authority for Audit

The authority for audit is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. Audit of expenditure of Departments of the Government of NCT of Delhi is carried out under Section 13 of the CAG's (DPC) Act. The CAG is the sole auditor in respect of six autonomous bodies under the Departments of Government of NCT of Delhi which are audited under sections 19(3) and 20(1). CAG also conducts supplementary audit of 44 other substantially funded autonomous bodies under sections 14 of CAG's (DPC) Act. Principles and methodologies for compliance audit are prescribed in the Regulations on Audit and Accounts, 2007 issued by the CAG. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the CAG as per the provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations

are as shown below:

**Table 1.2: Audit arrangements for Statutory corporations**

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Delhi Transport Corporation (DTC)	Section 33(2) of the Road Transport Corporations Act, 1950	sole audit by the CAG
2.	Delhi Financial Corporation (DFC)	Section 37(6) of the State Financial Corporations Act, 1951	audit by Chartered Accountants and supplementary audit by the CAG

The Government of NCT of Delhi has constituted the Delhi Electricity Regulatory Commission and its audit is conducted by the CAG under Section 104(2) of the Electricity Act, 2003.

#### 1.4 Planning and conduct of Audit

The audit process starts with the assessment of risk of the Department/Organisation as a whole and each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the audit reports which are submitted to the Lieutenant Governor of NCT of Delhi under Article 151(2) of the Constitution of India.

During 2008-09, 3262 audit party-days were used to carry out compliance audit of 206 out of 2611 units of civil Departments/ Organizations and 1185 audit party days for conducting audit of 70 out of 90 units of DJB and performance audit of some schemes of MCD and DJB. Audit used 1422 audit party-days in carrying out compliance audit of 54 units of the companies and corporations under commercial audit. Our audit plan covered those units/entities which were vulnerable to significant risk.

## **1.5 Organisational Structure of the office of the Accountant General of Audit, Delhi**

Under the directions of the CAG, the Office of the Accountant General of Audit, Delhi conducts audit of expenditure of all departments/offices of the Government of NCT of Delhi as well as audit of various authorities and bodies receiving grants/loans. The Accountant General (Audit), Delhi is assisted by four Group Officers.

## **1.6 Significant audit observations**

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organizations were also reported.

### ***1.6.1 Performance audits of programmes/activities/departments***

The present report contains three performance audits, one long paragraph and an integrated audit on the functioning of the Transport Department. The highlights of the performance audits are given in the following paragraphs:

#### ***1.6.1.1 Working of Delhi Fire Service***

At present, DFS operates 50 fire stations against the target of 70 fire stations as approved in the tenth five year plan 2002-2007. It failed to honour the assurance given to Public Accounts Committee (PAC) in December 2004 to open fire stations in each of the 70 Assembly Constituencies by the end of March 2007. Out of 3950 cases test-checked, in 3032 cases (77 per cent) the response time taken was more than the prescribed limit of five minutes. There was a shortage of operational staff ranging between 36 and 62 per cent. There was shortage of different types of fire fighting vehicles ranging from 13 to 67 per cent against requirement. Out of 278 static water tanks available with DFS, 164 were non-functional. There were 846 schools both Government and private in Delhi which were functioning without adequate fire safety and preventive measures. Out of 2377 high rise buildings identified by DFS 812 buildings (34 per cent) were not equipped with fire safety and preventive measures.

### ***1.6.1.2 Development works in regularised-unauthorised colonies undertaken by the DJB and MCD***

DJB was unable to spend the allotted funds and there were savings upto 38 *per cent* in the water sector and 60 *per cent* in the sewerage sector. MCD diverted an amount of Rs. 24.40 crore as supervision and establishment charges, whereas DJB diverted funds to the tune of Rs. 2.40 crore meant for works in the R-U colonies to other colonies. DJB had dues outstanding from customers upto Rs. 4.38 crore in the form of development charges and dishonoured cheques. As DJB had not notified as of July 2009 sewer lines laid during 2007 to 2009, connections were not given to the residents and lines remained non-functional. Similarly MCD did not fix any timeframe for the award of works after opening of tenders, work orders were issued with significant delays ranging from 46 days to 340 days. MCD was also not carrying out quality checks of works to the desired extent as 70 *per cent* of works had not been inspected.

### ***1.6.1.3 National Rural Health Mission***

The SHS released only 16 *per cent* of the funds received by it from the Central Government and the districts could not utilize even this amount. The utilization by districts was only 66 *per cent* in 2008-09. During 2005-06 to 2008-09 there was a shortage of 123 Medical Officers (MOs) and 773 Auxiliary Nursing Midwives (ANMs), which worked out to 50 *per cent* and 55 *per cent* respectively against the NRHM requirement. No concrete action was taken to dovetail the scheme to the peculiarities of Delhi. *Rogi Kalyan Samitis* had not been established at any level. District Health Mission had not been established in any district. State Health System Resource Centre (SHSRC) had also not been established. Health schemes/societies were not brought under the umbrella of NRHM from the XI Plan as required.

### ***1.6.1.4 Functioning of Delhi Transport Corporation***

The Delhi Transport Corporation (DTC) provides public transport in the State through its 35 depots. The Corporation had a fleet of 3804 buses as on 31 March 2009 and carried an average of 22.61 lakh passengers per day. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess the efficiency and economy of its operations, its ability to meet its financial commitments, the possibility of realigning its business model to tap non-conventional sources of revenue, the existence and adequacy of a fare policy and the effectiveness of the top management in monitoring the affairs of the Corporation.

The Corporation is incurring heavy losses due to its high cost of operations. The surplus staff is adding to the losses by way of unproductive wages and its down sizing is desirable. The Corporation's performance, can be improved by both fleet utilisation and vehicle productivity with timely preventive maintenance, downsizing the surplus staff, appointment of a regulator to regulate fare and services and tapping non-conventional sources of revenue by commercial exploitation of its real estate.

#### ***1.6.1.5 Functioning of Transport Department'***

Budgeting process was unrealistic and lacked credibility as persistent savings were registered. Funds were re-appropriated from four sub heads and expenditure in excess of the grant was Rs. 4.51 crore. To avoid the lapse of allocated funds, Rs. 63 crore was withdrawn and kept in savings account of GM, ISBT. Expenditure was misreported to the extent of Rs. 23.69 crore as it was lying unspent with GM, ISBT. Rs. 38.77 lakh was diverted and utilised for an unapproved purpose of Delhi Government achievement campaign. GM, ISBT unauthorisedly kept departmental receipts of Rs. 101.76 crore out of government account and utilized Rs. 97.04 crore out of this without any approved mandate. An amount of Rs. 7.81 crore was spent on feasibility studies of the projects (Monorail and Light Rail Transport) without conducting preliminary deliberations with experts. Resultantly, selected corridors were found unviable rendering the expenditure unfruitful. A contractor, engaged for preparing registration certificates in smart cards, charged extra Rs. 39.40 crore due to a deficient agreement leading to undue burden on public. Machinery for enforcing provisions of the Motor Vehicles Act was not effective. Due to slackness of enforcement machinery, Rs. 159.23 crore could not be realised from defaulting vehicle owners.

#### ***1.6.2 Compliance Audit***

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the government department/ organizations. These are broadly grouped as:

- (a) Non-compliance with rules and regulations
- (b) Audit against propriety and cases of expenditure without adequate justification
- (c) Failure of oversight/governance
- (d) Persistent and pervasive irregularities

### **1.6.2.1 Non-Compliance with rules and regulations**

- *The Delhi Jal Board released an unwarranted payment of Rs. 17.19 lakh to the contractor on account of escalation charges in contravention of codal provisions.*

**(Paragraph 3.1.1)**

- *Failure of the Public Works department to observe the codal formalities in supply of drawings within 1/8<sup>th</sup> time of stipulated period, led to avoidable expenditure of Rs. 28.23 lakh due to re-awarding of work, besides denying the public of the facility of a pedestrian sub-way for more than 16 months.*

**(Paragraph 3.1.2)**

- *Failure of the Public Works Department to arrive at correct rates for extra items and deviated items resulted in extra payment of Rs. 13.21 lakh.*

**(Paragraph 3.1.3)**

### **1.6.2.2 Audit against propriety/expenditure without justification**

- *Failure of the Public Works Department to ensure availability of clear site for construction of road resulted in unfruitful expenditure of Rs. 1.91 crore on widening of a road.*

**(Paragraph 3.2.1)**

- *Public Works Department incurred unfruitful expenditure of Rs. 152.18 lakh during 2005-06 to 2008-09 on surplus work charged staff who were not engaged on routine watch and ward works on which an avoidable expenditure of Rs. 55.90 lakh was incurred.*

**(Paragraph 3.2.2)**

### **1.6.2.3 Failure of oversight/governance**

- *Failure of departmental authorities (Central Jail, Tihar) to assess the sanctioned load in consonance with actual requirements resulted in avoidable payment of Rs. 35.93 lakh on fixed charges on non-domestic electricity supply.*

**(Paragraph 3.3.1)**

- *Failure of the Public Works Department authorities to ensure availability of land and to adhere to the manual provisions rendered expenditure of Rs. 52.50 crore unfruitful as the constructed part of road can neither be used nor can be aligned with any other road.*

**(Paragraph 3.3.2)**



- *Failure of the Public Works Department to appoint an arbitrator within the statutory period of 30 days coupled with non-submission of documents within four weeks from 8 April 2005 as stipulated by the arbitrator, resulted in loss due to avoidable payments of interest amounting to Rs. 12.67 lakh.*

**(Paragraph 3.3.3)**

- *Failure of the department to incorporate a clause regarding appropriate reduction/escalation in payment to consultant in case of changes in scope of work or alternatively to enter into lump-sum agreement in appropriate Form no.12 which contain the above clause resulted in extra avoidable expenditure of Rs. 72.70 lakh upto June 2009.*

**(Paragraph 3.3.4)**

- *Failure of the Women and Child Development Department to review its electricity bills and making payment of fixed charges at non-domestic rates instead of domestic rates resulted in excess payment of Rs. 18.66 lakh.*

**(Paragraph 3.3.5)**

- *Expenditure of Rs. 1.38 crore incurred on purchase of Holiday Homes at Allahabad and Shimla which remained blocked for four to seven years before the start of holiday homes. Further, expenditure of Rs. 68.79 lakh incurred on maintenance and upkeep of all the four holiday homes during 2004-09 was rendered unfruitful as the primary objective of providing accommodation to industrial workers had not been fulfilled.*

**(Paragraph 3.3.6)**

- *Due to poor cash management, the Delhi Power Company Limited suffered a loss of Rs. 87.01 lakh.*

**(Paragraph 5.3.1)**

- *Relaxation of norms for sanctioning the loans ignoring the financial interest of the Delhi Financial Corporation and lack of timely action for recovery resulted in non-recovery of Rs. 7.64 crore.*

**(Paragraph 5.3.2)**

- *Failure to realise 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 follow-up and monitoring resulted in non-recovery of Rs. 1.13 crore by Delhi Financial Corporation.*

**(Paragraph 5.3.3)**



- *Inaction of the Delhi Financial Corporation to take possession of plant and machinery and property resulted in non-recovery of Rs. 102.23 lakh.*

**(Paragraph 5.3.4)**

#### **1.6.3.4 Persistent and pervasive irregularities**

- *Failure of Guru Nanak Dev Polytechnic to get completion certificate even after 9 years of occupation of building resulted in avoidable expenditure of Rs. 42.65 lakh on water charges paid at abnormally high rates.*

**(Paragraph 3.4.1)**

### **1.7 Response of the Departments to Draft Audit Paras**

The Draft Paragraphs are forwarded to the Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. It is brought to their personal attention that in view of likely inclusion of such Paragraphs in the Audit Reports of the Comptroller and Auditor General of India, which are placed before Legislature; it would be desirable to include their comments in the matter.

29 draft paras proposed for inclusion in this report were forwarded to the concerned Departments of GNCTD and Management of concerned Company/ Corporation between February 2009 and December 2009 through letters addressed to Secretaries/Managing Directors drawing their attention to the audit findings and requesting them to send their response within six weeks.

Concerned Departments/Management did not send replies to 21 out of 29 paragraphs. The response of the concerned Ministry/Management received in respect of 8 paragraphs has been suitably incorporated in the paragraphs.

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

A review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India pertaining to Departments of Government of NCT of Delhi as of December 2009 (details in **Appendix-1.1**) revealed that a total of 43 ATNs were pending from 16 Departments/ Autonomous Bodies as of December 2009.