

Chapter 1

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) 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 to the notice of the Legislature, important results of audit. 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 Department of Food Supplies and Consumer Affairs and Manpower audit of Municipal Corporation of Delhi. Chapter 3 contains observations on audit of transactions in Government Departments and autonomous bodies. Chapter 4 contains observations arising out of audit of Directorate of Education. Chapter 5 contains observations arising out of transaction audit of Statutory Corporations and Public Sector Undertakings of Government of NCT of Delhi.

1.2 Profile of audited entity

There are 66 departments in the State at Secretariat level, headed by Principal Secretary/Secretary who are assisted by Directors/Commissioners and subordinate officers. The comparative position of expenditure incurred by the

Government of NCT of Delhi during 2010-11 and in the preceding two years is given below:

Table 1.1: Comparative position of expenditure: Trends by activities

(₹ in crore)

Distribution	2008-09			2009-10			2010-11		
	Plan	Non Plan	Total	Plan	Non Plan	Total	Plan	Non Plan	Total
Revenue expenditure									
General services	89.60	3344.96	3434.56	81.15	3548.52	3629.67	83.09	3645.86	3728.95
Social services	3419.98	3179.39	6599.37	3858.96	4244.62	8103.58	4259.55	4459.25	8718.80
Economic services	434.57	838.13	1272.70	802.66	847.62	1650.28	548.95	843.51	1392.46
Grant-in-aid and contribution	-	455.95	455.95	-	517.36	517.36	-	541.53	541.53
Total	3944.15	7818.43	11762.58	4742.77	9158.12	13900.89	4891.59	9490.15	14381.74
Capital expenditure	3992.21	3.19	3995.40	4713.62	3.65	4717.27	3981.32	3.48	3984.80
Total	7936.36	7821.62	15757.98	9456.39	9161.77	18618.16	8872.91	9493.63	18366.54

1.3 Authority for audit

The authority for audit by the CAG 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) of the CAG's (DPC) Act. In addition, the CAG also conducts supplementary audit of 51 other autonomous bodies under sections 14 of CAG's (DPC) Act, which are substantially funded by the Government of NCT of Delhi. Principles and methodologies for compliance audit are prescribed in the Auditing Standards and 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

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 2010-11, 1293 audit party-days were used to carry out compliance audit of 130 out of 2565 units of civil Departments/Organizations and 416 days for performance audit, 118 audit party days for conducting audit of 10 out of 98 units of DJB and 570 days for performance audit on Manpower in MCD. 1386 audit party-days were used to carry out compliance audit and performance audit of 35 out of 49 units of the companies and corporations under commercial audit. Our audit plan covered those units/entities which were vulnerable to significant risk, as per our assessment.

1.5 Organisational structure of the office of the Principal Accountant General (Audit), Delhi

Under the directions of the CAG, the Office of the Principal Accountant General (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 Principal Accountant General (Audit), Delhi is assisted by three 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. The highlights of the performance audits are given in the following paragraphs:

1.6.1.1 Performance audits of Department of Food Supplies and Consumer Affairs

A performance audit of the department of Food Supplies and Consumer Affairs (the department) was conducted to evaluate the effectiveness of the food management system and the extent to which it achieved its intended purpose of ensuring availability of the specified food articles at the stipulated rates to the intended beneficiaries.

Only 1.01 lakh Antyodaya Anna Yojana (AAY) families were identified against the targeted number of 1.57 lakh AAY families resulting in depriving 0.56 lakh families of the benefits of the scheme. As against a target of 8040 the department could identify only 128 beneficiaries under Annapurna Scheme meant for indigent senior citizens during 2006-11. Moreover, funds available for the beneficiaries remained unutilised. There was delay up to 332 days in issue of ration cards as against the prescribed one month in the PDS Control Order.

The food management system in the Government was not functioning properly as allocated quantities by the GoI could not be utilised in full by GNCTD. Even the quantities allocated by the department were not fully lifted from Food Corporation of India (FCI) outlets and distributed to the beneficiaries.

There was a difference in allocation of wheat and rice by the GoI and the department and also difference in quantity of lifting of food grains by the FCI, Delhi State Civil Supplies Corporation and the Department. The department did not notice or initiate remedial measures to eliminate the causes for these discrepancies. Further, there was a difference in quantity of kerosene in allocation and lifting given by the Oil Sector and the department.

The printing of BPL (Fresh) cards were to be made only from the scanned data, but the department was having scanned data of 54,378 cards only against 1,36,436 cards prepared by the department. Further, allocation and distribution of food grains and kerosene oil on undistributed cards was also observed. Utilisation Certificates for the period October 2009 onwards were not submitted to the GoI.

1.6.1.2 Manpower Audit of Municipal Corporation of Delhi

The Municipal Corporation of Delhi (MCD) created under the Delhi Municipal Corporation Act, 1957 (Act) of the Parliament, is one of the largest municipal bodies in the world.

As per Schedule of Establishment (2009-10) of MCD, the total sanctioned strength of the MCD was 107103 employees, of these 1682 were of Group A, 9316 of Group B and 96,105 of Group C & D. There are 22512 temporary employees in the Multitasking staff cadre. Three departments viz. Department of Environment Management Services (DEMS), Horticulture and Engineering were selected for audit based on the number of temporary employees with them. Temporary employees posted in these three departments are 16,525 in DEMS, 1409 in Engineering and 702 in Horticulture. DEMS has 36,419 (2010-11) regular Safai Karamcharis (SKs) also. DEMS had also maintained a panel of 43489 substitute Karamcharis for deploying them against leave vacancy.

DEMS had not recruited any SK directly for more than 20 years. Instead, MCD resorted to engagement of substitute SKs in terms of the provisions of Resolution No.331 (1986), which has not been notified till date. SKs engaged as substitutes were regularized under MCD resolutions. For this, substitutes were first declared as daily wagers and their service as substitutes was counted for their appointment as regular SKs. From the attendance records and pay bill registers it was seen that 4960 man days of substitute employees, during one month test-checked in 43 wards, were unaccounted for. The unaccounted pay for the test-checked period amounted to ₹ 7.82 lakh¹ in 43 wards. It was seen that 207 employees were unaccounted for i.e. in 188 cases, their names were included in the pay bills but not in the attendance register and in 19 cases, both the substitute as well as the regular employee against whom the substitute was engaged, were shown as present.

Innovative terms and systems like substitutes, Look After Charge (LAC), Current duty charge (CDC), ad hoc appointment beyond one year etc. are used as a general practice in MCD, in the name of exigency of work and operational constraints. Such systems of engagement, recruitment, transfer and promotions have set wrong precedence, which have resulted in

¹ At the rate of ₹ 157.62 per day.

mismanagement of human resources having direct bearing on the economy, efficiency and effectiveness in the functioning of the organization as a whole.

1.6.1.3 Audit of Directorate of Education, Government of NCT of Delhi

An audit of the Directorate of Education (DoE), was conducted by examining records of 160 selected DDOs including 143 schools covering the period from 2008-09 to 2010-11. The audit covered areas of financial management, human resource management, implementation of schemes, development of infrastructure and internal control.

DoE projected budget requirements on the basis of past trends rather than actual requirement and as a result, large scale re-appropriation of funds, some of them unnecessary, was carried out. This was in spite of having a web based MIS in place. There was also delay in allocation of budget for plan schemes like uniform subsidy and supply of free text books to students. There was lack of proper internal oversight in implementation of plan schemes like VKS and Mid-day-meal. In the implementation of VKS, community involvement in all the day to day activities of the functioning of the schools was not ensured.

The DoE suffered from shortages of manpower in every cadre. Distribution of available manpower was also not optimal with schools bearing most of the shortage in ministerial staff. The pupil teacher ratio in government school varied from 10 to 276 whereas in terms of provisions of Right of Children to Free and Compulsory Education Act, 2009, this should not be more than 40. Further, 106 Schools were upgraded without allocating qualified additional manpower. Distribution of work among various districts was also not done in an equitable manner.

The Department lagged behind in providing adequate infrastructure to schools. There were shortages of class rooms in 61 out of 143 test checked schools. There were delays in construction of school buildings resulting in cost overrun apart from depriving schools from adequate infrastructure. Playgrounds were not available in 33 of the 143 test checked schools.

The Department has not been adequately monitoring the functioning of government aided and private recognized schools through inspections and scrutiny of annual returns prescribed under Delhi School Education Act submitted by these schools.

The internal control mechanism in the Department was deficient. Although every school was required to be inspected at least once a year, only 2-3 per cent of unaided schools were being inspected every year whereas aided schools were not inspected at all. Inspection of government schools by teams from the Directorate was also not satisfactory.

1.6.2 Compliance audit

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

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

1.6.2.1 Non-compliance with rules and regulations

- Incorrect working out of justified cost by the Department resulted in irregular award of work amounting to ₹ 234.00 crore. Till January 2012, ₹ 167.10 crore has been paid, which resulted in excess expenditure of ₹ 11.59 crore.

(Paragraph 3.1.1)

- Unlawful rescission of a contract by the department resulted in extra expenditure of ₹ 2.21 crore as the balance work was executed at higher rates under new contract.

(Paragraph 3.1.2)

- Not obtaining security/escrow mechanism while granting loan under Power Stabilisation Fund and not charging penal interest to the tune of ₹ 3.67 crore resulted in undue favour to BSES – Rajdhani Power Limited (BRPL).

(Paragraph 5.2.1)

- Avoidable interest loss of ₹ 0.76 crore due to delay in filing of the Income Tax Return.

(Paragraph 5.2.4)

1.6.2.2 Audit against propriety/expenditure without justification

- Directorate of Information and Publicity (DIP) placed orders for advertisements at higher rates resulting in extra expenditure of ₹1.06 crore and undue benefit to the firm holding exclusive rights on BQSs

(Paragraph 3.2.1)

- Non-levy of compensation / penalty for delay in completion of work led to excess payment of ₹ 80.91 lakh to the Contractor.

(Paragraph 5.2.2)

- The Corporation lost potential revenue of ₹ 33.14 lakh due to delayed action in handing over the 157 Bus Queue Shelters to the concessionaire.
(Paragraph 5.2.5)

1.6.2.3 Failure of oversight/governance

- Absence of proper planning with assessment of actual requirement and lack of coordination among different divisions of PWD resulted in infunctuous expenditure of ₹ 1.76 crore.
(Paragraph 3.3.1)
- Loss of ₹ 22.68 lakh due to delay in award of contract for sale and lifting of Dry Fly Ash.
(Paragraph 5.2.3)

1.7 Response of the departments to draft audit paras

The Draft Audit Paragraphs are forwarded to the Secretaries of the Department 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 Report of the Comptroller and Auditor General of India, which are placed before Legislature, it would be desirable to include their comments in the matter.

17 draft paragraphs proposed for inclusion in this report were forwarded to the concerned Departments of GNCTD and Management of concerned Company/ Corporation between June 2011 and December 2011 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 6 out of 17 paragraphs. The response of the concerned department/management received in respect of 08 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 2011 (details in **Appendix-1.1**) revealed that a total of 82 ATNs were pending from 27 departments/ autonomous bodies as of December 2011.