

CHAPTER-1

Introduction on General Sector and Economic Sector

1.1 Introduction

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from Thematic Audit, Chief Controlling Officer (CCO) based audit of selected programmes, schemes, Departments etc. and Compliance Audit of the transactions of Government departments and Autonomous Bodies in the General Sector and Economic Sector of the Government of NCT of Delhi.

Compliance Audit refers to examination of 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.

CCO based Audit approach is to encompass financial audit, compliance audit and review of operational performance of the Government departments, its autonomous bodies and their units in a top down manner.

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 performance 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** contains thematic audit of Delhi Police (Traffic and Communication) and Delay and Deviation in Execution of Works by PWD. **Chapter 3** contains audit observations on transactions in Government Departments and **Chapter 4** contains observations arising out of CCO based audit of the Department of Transport, Government of National Capital Territory of Delhi and role of the Department of Food, Supplies and Consumer Affairs in managing supply of essential commodities.

1.2 Profile of audited entities

The Government Departments have been grouped in Social Sector, General Sector, Revenue Sector and Economic Sector (Non-PSUs) and Public Sector Undertakings of all Sectors for the purpose of audit. This Report covers audit observations on General Sector and Economic Sector (Non-PSUs).

There are 43 departments under the General Sector and Economic Sector in the State, each headed by a Principal Secretary/Secretary, who are assisted by Directors/Commissioners and subordinate officers. There are 1132 units under the General Sector and Economic Sector, which are under the audit jurisdiction of the Principal Accountant General (Audit), Delhi. During 2011-12, a total of **123 units** were covered in audit.

1.3 Expenditure profile of the State Government

The total expenditure of the Government of NCT of Delhi including Capital Expenditure and Grant in Aid during the year 2011-12 was ₹ 21969.13 crore. Out of this the expenditure incurred on General Services and Economic Services was ₹ 6519.46 crore, which was 30 *per cent* of the total expenditure of the GNCT of Delhi. A comparative statement of expenditure incurred on Social Services, General Services and Economic Services for the last five years i.e., 2007-08 to 2011-12 is given in chapter I of the Audit Report on State Finances (GNCT of Delhi).

1.4 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 two autonomous bodies¹ 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 11 other autonomous bodies under Section 14 of CAG's (DPC) Act, which are substantially funded by the Government of NCT of Delhi. Principles and methodologies for audit are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

1.5 Organisational structure of the office of the PAG (Audit), Delhi

Under the directions of the CAG, the Principal Accountant General (Audit), Delhi conducts audit of the State Government departments, Autonomous Bodies and Government companies. The Principal Accountant General (Audit) is assisted by Senior Deputy Accountants General/Deputy Accountants General, Audit Officers, Assistant Audit Officers and supporting staff in the discharge of his/her official duties.

¹ Delhi Legal Service Authority and Delhi Electricity Regularity Commission

1.6 Planning and conduct of audit

Audit process commences with the risk assessment of various Government departments/organizations/autonomous bodies and schemes/projects, etc., based on expenditure, criticality/complexity of activities, level of delegated financial powers, assessment of internal controls and the concerns of stakeholders. The previous audit findings are also considered as an input to this exercise.

After completion of audit of each unit, an Inspection Report containing audit findings are issued to the Head of the unit/Department. 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 CAG's Audit Report.

During 2011-12, 1193 party-days were utilised to carry out compliance audit of 123 units out of 1132 units of various Departments/Organisations.

1.7 Audit observations

The present Report contains two Theme based Audits, three paragraphs on Compliance Audit and two CCO based Audits. The highlights of these audits are given in the following paragraphs:

1.7.1 Thematic audit of Delhi Police (Traffic and Communication)

Delhi Police is the single law enforcement organization in Delhi which ensures well being and safety of nearly 15 million people of Delhi. Thematic audit focused on two functional branches (Traffic and Communication wings). Most of the funds earmarked for modernisation of Communication Branch of Delhi Police were not utilized and as such, the modernisation of communication network in Delhi Police was not achieved.

Physical implementation of Intelligent Traffic System could not be started as of March 2012 due to deficient planning, thereby, depriving users of benefit of world class traffic management system in Delhi apart from unfruitful expenditure of ₹ 7.50 crore. Delhi Police failed to implement the project of Cyber Highway in time and at the same time did not utilize the partially installed infrastructure. Delhi Police did not ensure adequate monitoring of road safety scheme leading to blockade of funds amounting to ₹ 4.33 crore. Further, Delhi Police could not ensure protection of its financial interest by not levying liquidated damages.

(Chapter 2.1)

1.7.2 Thematic Audit of PWD on Delay and Deviation in Execution of Works

In 107 test checked works there were delays in completion upto maximum of 48 months. Some of the major reasons for delay in completion of works were non availability of site, drawings, lack of co-ordination with client departments. PWD had not adhered to the general conditions of the contracts as neither compensation of ₹ 11.19 crore for delay in completion of works was levied nor any amount withheld where the contractors failed to maintain the progress of the work according to the milestones. Though, there were considerable delays on the part of consultants in five building projects, PWD did not levy compensation despite the penal clause in the agreements.

In 61 works, there were deviations amounting to ₹ 13.38 crore, which ranged between 12 per cent and 159 per cent of the original estimated cost. In 39 works, no specific reasons for deviation valuing ₹ 3.31 crore were recorded. In 19 works of Signages and Upliftment of lifts, valuing ₹ 4.95 crore, tenders were invited from manufacturers/authorized dealers/specialized agencies, without provision in the detailed estimates and were executed under the head 'repair and maintenance of work' instead of main work.

(Chapter 2.2)

1.7.3 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.

A. Non-compliance with rules and regulations

- ◆ Adoption of a price variation clause in work contracts by PWD, which was not in line with general conditions of contract, resulted in avoidable expenditure of ₹ 1.45 crore in two works.

(Paragraph 3.1.1)

B. Audit against propriety/expenditure without justification

- ◆ The inconsistency in decision of the government on a project 'upgradation of the existing water bound macadam road along Najafgarh Drain from Dhansa Bund to Kakraula Regulator' led to rescission of contract resulting in avoidable extra expenditure of ₹ 86.48 lakh.

(Paragraph 3.2.1)

C. Failure of oversight/governance

- ◆ Unfruitful expenditure of ₹ 0.73 crore, deprived Dr. Baba Saheb Ambedkar Hospital of benefits of anticipated savings in energy bills even after an investment of like amount.

(Paragraph 3.3.1)

1.7.4 CCO-based audit of Department of Transport, Government of National Capital Territory of Delhi

To implement the Integrated Multi-Modal Transit Network, the Department of Transport established the Delhi Integrated Multi-Modal Transit System (DIMTS), a SPV, initially as a public limited company under the Companies Act, which subsequently, became Joint Venture (JV) with Industrial Development Financial Corporation Limited (IDFC). Though a private company, the DOT continued to accord special treatment by awarding works on nomination basis to DIMTS in violation of the established financial norms. The DOT accepted the proposals as submitted by the DIMTS without any scrutiny, for their reasonableness, financially and technically.

The DOT implemented 'the corporatisation of private stage carriage buses (Cluster buses scheme)' without a well laid out plan and concurrence of the Finance Department or Legislature. The approvals were obtained from the Finance Department as *fait accompli*.

M/s ESP neither delivered the projects in time nor did they provide reliable tests apart from putting undue burden on the vehicle owners.

The award of work for TPTI to M/s ESP, on nomination basis was irregular and it also involved unauthorized levy of fee for TPTI.

The DTIDC had not started functioning properly even after two years of its creation and not implementing the schemes properly. Functional overlaps with the DOT as well as involvement of the DIMTS were unwarranted in light of creation of a specialized Corporation.

(Chapter 4.1)

1.7.5 CCO based audit on the role of the Department of Food, Supplies and Consumer Affairs in managing supply of essential commodities

The Department was issuing ration cards to the beneficiaries under APL (unstamped) category who were not provided SFAs and kerosene oil. No realistic targets for identification of beneficiaries were adopted by the Department. Even after a lapse of more than 12 years, it was relying on figures projected by the GoI in March 2000 and no notification was issued during the year for issuing new cards.

Allocated quantities by the GoI could not be utilised in full by the Department due to unrealistic demand of SFAs projected by it in terms of number of beneficiaries.

Existence of FPSs/KODs in excess of norms in terms of number of beneficiaries, inadequate retailer margin and irregular enhancement of transportation charges at the cost of FPSs and beneficiaries coupled with non-follow-up of policy decisions to improve the financial returns, led to unviable operating conditions, thereby increasing the risk of FPS/KOD owners resorting to unfair means or closing down the business.

(Chapter 4.2)

1.8 Recoveries at the instance of Audit

The audit findings involving recoveries that came to notice during the course of test audit of accounts of the Departments of the State Government were referred to the Departments/State Government through Inspection Reports (IRs) for further investigation and in case of overpayments/excess payment, recovery of the same under intimation to audit.

The details of recoveries pointed out by the Audit during the year 2011-12, those accepted by the departments and recoveries effected are given in **Table 1.1**:

Table 1.1 : Recoveries at the instance of Audit

(₹ in crore)

Wing	Recoveries pointed out in 2011-12	Recoveries Accepted during 2011-12	Recoveries effected during 2011-12
General Sector	4.45	4.45	12.23
Economic sector	0.16	0.16	0.14
Total	4.61	4.61	12.37

1.9 Lack of response to Audit

No Audit Committee meeting was held during the year 2011-12 in respect of paragraphs contained in IRs pertaining to departments, thus no audit paragraph was settled.

At the end of 31 March 2012, 774 Inspection Reports involving 2855 paragraphs were outstanding as detailed in **Table 1.2**:

Table 1.2 : Status of IRs and Paragraphs

Opening Balance 1.4.2011		Additions during the year		Settled during the year		Closing Balance (31 March 2012)	
No of Inspection Reports	No of Paragraphs	No of Inspection Reports	No of Paragraphs	No of Inspection Reports	No of Paragraphs	No of Inspection Reports	No of Paragraphs
728	2671	100	576	54	392	774	2855

Pendency of large number of paragraphs of serious financial irregularities and loss to Government even after being pointed out in audit, indicated lack of response of the Government departments to Audit.

The Government may look into this matter and revamp the system to ensure proper response to the audit observations from the Departments in a time-bound manner.

1.10 Response of Departments to Audit Report material

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India were forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Government/ Departments is indicated at the end of each paragraph included in the Audit Report.

Three draft paragraphs and two Chief Controlling Officer (CCO) based audit and two thematic audit reports, proposed to be included in the Report (General Sector and Economic Sector) of the Comptroller and Auditor General of India for the year ended 31 March 2012 were sent to the Principal Secretaries/Secretaries of the respective departments between March 2012 and February 2013. The Principal Secretaries/ Secretaries of the departments did not send replies in respect of three paragraphs and two thematic audit paragraphs. These paragraphs have been included in Chapter-2 and 3 of the Report without the response of the Principal Secretaries/ Secretaries of the department concerned. However, replies of the Heads of the unit audited, wherever received, have been incorporated in the Report with suitable audit comments.

1.11 Follow-up on Audit Reports

A review of outstanding Action Taken Notes on paragraphs included in the Reports of the Comptroller and Auditor General of India pertaining to General Sector and Economic Sector, Departments of Government of NCT of Delhi as of December 2012 (details in **Annexure-1.1**) revealed that 56 ATNs were pending as of December 2012.