# 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 2004-05 and three other chapters comprising of two reviews and 27 paragraphs dealing with the results of audit of the financial transactions of the Government including its commercial and trading activities. The final chapter of this report contains an appraisal of the internal control systems prevalent during the last five years up to March 2005 in the Government of NCT of Delhi. A synopsis of the findings contained in the audit reviews and important paragraphs are presented in the overview.

## Accounts of the Government of NCT of Delhi

During 2004-05, the total receipts and expenditure of Government of NCT of Delhi on revenue account were Rs. 8,563 crore and Rs. 5,828 crore respectively which yielded a revenue surplus of Rs. 2,735 crore. The loans and advances disbursed by the Government during the year were Rs. 3,321 crore while the recoveries were merely Rs. 528 crore. The Government of NCT of Delhi borrowed Rs. 4,011 crore from the Union Government during the year.

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

Revenue receipts increased from Rs. 7,348 crore in 2003-04 to Rs. 8,563 crore in 2004-05. The share of tax revenue in total revenue receipts was Rs. 7,106 crore which constituted 83 per cent of the total revenue receipts. Sales 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 14.55 per cent from Rs. 5,087 crore in 2003-04 to Rs. 5,828 crore in 2004-05. Capital expenditure increased by 67.17 per cent from Rs. 852.72 crore in 2003-04 to Rs. 1425.52 crore in 2004-05. Loans by the NCT Government decreased by 19.07 per cent from Rs. 4,103.17 crore in 2003-04 to Rs. 3,320.77 crore in 2004-05.

*(Paragraphs 1.8 & 1.13)*

During 2004-05, interest payments increased by 15 per cent and interest receipts decreased by 5 per cent as compared to previous year resulting in 49.79 per cent increase in net burden on revenue.

*(Paragraph 1.10)*

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. 22,351.21 crore in 2003-04 to Rs. 25,144.02 crore in 2004-05 which constituted an increase of 13 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. 337 crore in 2004-05 in government companies bringing the total investment in government companies, statutory corporations and co-operative societies at the end of March 2004 to Rs. 1,715 crore. The dividend received however was only Rs. 3.75 crore.

*(Paragraph 1.15)*

During 2004-05, entire provision remained unutilised against 182 schemes under revenue section and 65 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 77.35 per cent from Rs. 7,751.13 crore in 2000-01 to Rs. 13,746.87 crore during 2004-05, the voted expenditure increased by 43.48 per cent from Rs. 6,790.13 crore in 2000-01 to Rs. 9,742.47 crore in 2004-05. Charged expenditure has increased by 316.69 per cent from Rs. 961.00 crore in 2000-01 to Rs. 4004.40 crore in 2004-05 largely on account of increased debt servicing.

*(Paragraph 2.3)*

During 2004-05, Government of NCT of Delhi was authorized Rs. 13,495.91 crore as Original Grant and Rs. 1,666.29 crore as Supplementary Grant. Against this total provision of Rs. 15,162.20 crore, the total expenditure aggregated to Rs. 13,746.87 crore. There were savings of Rs. 1,415.33 crore which constituted 9.33 per cent of the total grant for the year.

*(Paragraph 2.4)*

Against the total savings of Rs. 1,415.33 crore, an amount of Rs. 466.01 crore was surrendered on the last day of the financial year. The remaining savings of Rs. 949.32 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 Finance, Home and Medical & Public Health obtained supplementary grants in anticipation of higher expenditure. The entire amount of supplementary provision amounting to Rs 2.59 crore, Rs 8.49 crore and Rs. 33.74 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. 47.10 crore received from the Central Government for implementation of 137 Centrally Sponsored Schemes up to the end of 2004-05 remained unutilised as on 31 March 2005.

*(Paragraph 2.5.7)*

In six grants, 25 per cent of the total expenditure of the year was incurred in the month of March.

*(Paragraph 2.5.10)*

## Civil Departments

## Education Department

### Improper implementation of Computer Education Project-II

The department did not implement a computer education project in a coordinated manner adhering to the terms of the contract which resulted in unfruitful expenditure of Rs. 87.55 lakh and non-levy of penalty of Rs. 27.76 lakh upon the private firms on account of delay in installation of computer systems. Delay in implementation of the project also resulted in depriving about 69,840 students of the benefits of the project for nearly one quarter of an academic year.

*(Paragraph 3.1)*

## Industries Department

### Avoidable expenditure on water and electricity charges

The department incurred an avoidable expenditure of Rs. 2.93 crore due to its failure to formulate and implement a policy for recovery or payment of electricity and water bills of common areas from occupants of the flatted factory complex at Jhandewalan.

*(Paragraph 3.2)*

## Irrigation and Flood Control Department

### Unfruitful expenditure due to foreclosure of works

The department did not adhere to the codal provisions and ensure hindrance/encroachment free sites before awarding four works resulting in foreclosure of all the works. Besides, an unfruitful expenditure of Rs. 41.84 lakh, the objectives of specific works were not achieved.

*(Paragraph 3.3)*

### Avoidable expenditure on hiring of consultants

Engagement of private consultants for routine and repetitive nature of works instead of utilizing departmental manpower meant for such tasks resulted in an avoidable expenditure of Rs. 23.49 lakh.

*(Paragraph 3.4)*

### Wasteful expenditure on work

Failure of the department to ensure quality of work of construction of two bridges across Najafgarh drain and supplementary drain for carrying of water mains followed by administrative laxity in not ensuring supply of drawings to the contractor coupled with continuing the balance work without ascertaining its necessity resulted in wasteful expenditure of Rs. 92.96 lakh. The bridges constructed remained unused since alternative arrangements were made for carrying of the water mains.

*(Paragraph 3.6)*

## Medical and Public Health Department

### Undue liability due to non-revision of water charges

Guru Teg Bahadur Hospital did not periodically review and revise the water charges recoverable from the allottees of staff quarters despite 337 per cent increase in rates payable to the Delhi Jal Board, which resulted in undue burden of Rs. 66.09 lakh on the public exchequer.

*(Paragraph 3.8)*

### Excess payment on non-functional water connections

G.B.Pant Hospital did not verify the supply of water from the water connections at its premises or the correctness of the water bills before making payment resulting in excess payment of Rs. 2.84 crore as water charges to Delhi Jal Board against two water connections, which were not functioning.

*(Paragraph 3.9)*

### Extra expenditure on purchase of Magnetic Resonance Imaging system

Lok Nayak Hospital did not make payment of pending bills in time for a MRI system in accordance with the terms of the purchase order even after successful installation which resulted in an extra expenditure of Rs. 33.21 lakh on account of increase in exchange rate.

*(Paragraph 3.10)*

## Public Works Department

### Unfruitful expenditure on construction of service roads

The department did not ensure hindrance free sites before award of work which resulted in unfruitful expenditure of Rs. 42.81 lakh on construction of service roads.

*(Paragraph 3.12)*

**Irregular and wasteful expenditure on consultants**

The Executive Engineer, PWD-IV paid Rs. 24.89 lakh to private consultants for their services between September 2000 and January 2002 for phase-II of the construction work of Delhi Institute of Hotel management and Catering Technology without receiving administrative approval and expenditure sanction in disregard of manual provisions.

*(Paragraph 3.13)*

**Training and Technical Education Department**

**Undue liability due to poor planning**

Poor planning and management of resources resulted in avoidable payment of Rs.14.69 lakh as compensation to contractor besides waiver of Rs.10.42 lakh on account of ground rent and interest receivable by the Netaji Subhash Institute of Technology on mobilization and machinery advance. Moreover, the boys' hostel is yet to be completed despite expenditure of Rs.78.94 lakh.

*(Paragraph 3.15)*

**Delhi Jal Board**

**Avoidable Expenditure**

DJB did not specify the consultancy charges for the construction of Sewage Treatment plants and Sewage Pumping stations in Delhi to be recovered towards appointment of consultants in the tender documents and price schedule in the award of work, resulting in avoidable expenditure of Rs. 44.29 lakh.

*(Paragraph 4.1)*

## Unfruitful expenditure and blocking of funds

Failure of the DJB to properly plan, co-ordinate and execute a work of laying of pipes at Dabri Road trunk sewer resulted in expenditure of Rs. 39.25 lakh being rendered unfruitful. Rupees. 93.76 lakh paid as road restoration charges to the DDA remained blocked for over three years as the sewer line was not complete.

*(Paragraph 4.2)*

## Government Commercial and Trading Activities

As on 31 March 2005, there were nine government companies with total investment of Rs.6,242.44 crore (equity Rs.707.48 crore, long-term loans Rs.5,534.96 crore) and two Statutory corporations with total investment of Rs.3,452.12 crore (capital Rs.129.88 crore, share application money Rs.12.88 crore and long-term loans: Rs. 3,309.36 crore).

The accounts of six of these nine working Government companies were in arrears for periods ranging from one year to ten years as of September 2005. Both the Statutory corporations viz. Delhi Transport Corporation and Delhi Financial Corporation had however finalized their accounts for the year 2004-05. While the Delhi Transport Corporation had accumulated losses aggregating to Rs.3129.08 crore which far exceeded its paid-up capital of Rs.117 crore, the Delhi Financial Corporation earned a profit of Rs.7.90 crore.

*(Paragraph 5.1 to 5.9)*

## Indraprastha Power Generation Company Limited

## Review on the Performance of Gas Turbine Power Station

The Gas Turbine Power Station (GTPS) was set up by the erstwhile Delhi Electric Supply Undertaking in 1986 to augment the availability of power in the NCT of Delhi. Consequent upon the unbundling of Delhi Vidhut Board w.e.f. 1 July 2002, GTPS was placed under the newly constituted Indraprastha Power Generation Company Limited. An audit appraisal of the performance of the power station revealed inter alia the following:

- Generation of power at higher heat rate than that in the performance guarantee test resulted in generation losses of 341.701 million units (MUs) valuing Rs. 48.52 crore.

- There was a loss of generation of Rs.747.553 MUs valuing Rs. 106.15 crore due to less optimum functioning of the Waste Heat Recovery Units (WHRU) as compared to the benchmark set in their performance guarantee tests.

- The management was unable to adhere to the maintenance schedule of both the gas turbine as well as the WHRUs. There was delay in placement of orders, receipts of material and in overhauling and recommissioning which resulted in loss of generation of 200.18 MUs valuing Rs.28.42 crore.

*(Paragraph 5.10)*

## Delhi Financial Corporation

## Information technology audit

The Delhi Financial Corporation was set up in April 1967 under the State Financial Corporations Act 1951 to cater to the financial needs of small and medium industries located in the NCT of Delhi and the Union Territory of Chandigarh. The Corporation initiated (during 1987 to 2004) steps to computerise some of its essential business as well as housekeeping operations viz. financial accounting, payroll and provident fund accounting, loan accounting and management information system and incurred an expenditure of Rs. 1.53 crore.

- An IT audit of the computerisation efforts of the Corporation revealed that the computerisation was undertaken without formulating an overall policy or strategy. The Corporation did not determine pre-qualification specifications or make adequate assessments of capacities while selecting consultants to whom the tasks were entrusted. This resulted in frequent changes of consultants and premature abandonment of computerisation projects without any substantial benefits accruing to the Corporation.

- IT wing of the Corporation lacked adequate technical expertise necessary to effectively progress such computerisation efforts. User requirements were neither defined nor documented indicating lack of involvement on the part of the Corporation's officials. This resulted in poor implementation and acceptance of the systems and its outputs.

- Essential physical and logical access controls were absent from all the computer systems implemented in the Corporation. There was no

Disaster Recovery and Business Continuity Plan which exposed the Corporation to unacceptable risks.

- Further the Corporation procured hardware and software worth Rs. 75.27 lakh for its loan accounting system without an adequate need analysis and without linking up with the progress of project. Consequently, the hardware and software had either to be kept idle or were not utilized for the intended purpose.

- The pay roll system is not in conformity with the rules governing the payments of pay and allowances. There were no validation controls embedded in the application to automatically detect input errors.

*(Paragraph 5.11)*

## Corporate governance in state government companies

A review of corporate governance practices in six government companies revealed that the attendance of some of the Directors in the Board meetings was not regular. In some companies, the Audit Committees did not have the required number of meetings while in others, it did not review the adequacy of internal control systems and issues relating to fraud and fraud risks.

*(Paragraph 5.12)*

## Cash Management in Power Sector PSUs

An appraisal of the fund management practices of the four power sector companies revealed that they were retaining large amount of surplus funds in their current account instead of placing them in Corporate Liquid Term Deposit Receipt/Flexi deposits resulting in loss of interest of Rs.20.62 crore.

*(Paragraph 5.13)*

## Pragati Power Corporation Limited

Failure of the Company to draw up realistic drawal schedules relating to funding of a project to avoid the payment of commitment charges and delayed payment of interest installments resulted in avoidable expenditure of Rs. 99.90 lakh.

*(Paragraph 5.14)*

Failure of the Company to ensure payments on the basis of power actually consumed in the course of construction of a project resulted in avoidable payment of Rs.13.75 lakh for power which it did not actually consume.

*(Paragraph 5.15)*

**Delhi SC/ST/OBC/Minorities and Handicapped Financial and Development Corporation**

Failure of the Company to properly conceptualize schemes and ensure viability of the purposes for which loans were disbursed defeated the objective of upliftment of weaker sections through supporting and generating self employment opportunities. Further, the Company failed to safeguard its financial interests and enforce meaningful recovery action, which resulted in non-recovery of Rs. 2.08 crore.

*(Paragraph 5.16)*

**Delhi Transco Limited**

Failure to take cognizance of objections raised by Archeological Survey of India regarding construction of sub-station resulted in blocking of funds of Rs.2.24 crore as well as wasteful expenditure of Rs. 30 lakh.

*(Paragraph 5.17)*

**Delhi Transport Corporation**

Delay in calling of tenders for leasing out advertisement space coupled with non-imposition of normal 10 per cent increase while granting ad hoc extension till finalization of fresh contracts resulted in undue benefit of Rs.45.92 lakh to a firm.

*(Paragraph 5.18)*

The Corporation failed to collect Rs.67.85 crore of terminal fees from private bus operators despite clear enabling provisions in the Act.

*(Paragraph 5.19)*

Retainer Crew conductors appointed under a scheme for private bus operators were neither gainfully utilized nor terminated after discontinuation of the scheme resulting in an unfruitful expenditure of Rs.18.80 crore.

*(Paragraph 5.20)*

Incorrect calculation of leave encashment entitlements by considering actual number of days in the month instead of 30 days in a month resulted in excess payment of Rs.16.94 lakh to the employees.

*(Paragraph 5.21)*

## Internal Control System in the Government of NCT of Delhi

An appraisal of the internal control system in the Directorate of Social Welfare revealed that the Directorate lacked any effective internal check to ensure compliance to rules and procedures relating to release of grants to NGOs. Grants-in-aid of Rs. 5.99 crore were released during 2000-05 without any periodic review as envisaged in the instructions and NGOs continued to remain dependent on government grants for their functioning. The Directorate remitted Rs. 182.10 crore under old age pension scheme during the last five years without any verification of the pensioners physical existence resulting in huge undisbursed amounts lying with the banks/post offices.

*(Paragraph 6.2, 6.2.1(e))*

There were 3,809 irregularities/paras involving Rs. 30.38 lakh lying outstanding of which 3,130 were pending for more than five years.

*(Paragraph 6.2.2)*

The Directorate of Internal Audit in the Department of Finance had 1,985 units under its audit jurisdiction as on 31 March 2005. The Directorate could cover only 1,515 units during the five years period 2000-2005 leaving out 24 per cent of the total number of units altogether. There were 41,244 internal audit paras outstanding with the Directorate as on 31 March 2005 including those involving recoveries of Rs. 6.66 crore to be effected by different government departments. Compliance and consequent settlement of paras ranged between a minuscule 1.55 and 3.76 per cent of the total number of pending paras. A number of paragraphs were outstanding since 1976-77 and were more than 27 years old.

*(Paragraph 6.3.1, 6.3.2)*

At the instance of the Accountant General (Audit) Delhi, the Government had activated the ad-hoc State Level Audit Committees. As a result of these efforts, there was a net reduction of 4,846 paras outstanding as on 31 March 2005. However, given the fact that 8,506 paras were still outstanding, efforts need to be strengthened to expedite compliance to pending observations of statutory audit.

*(Paragraph 6.3.5.1)*