

## 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 2006-07 and three other chapters comprising of 13 paragraphs dealing with the results of audit of the financial transactions of the Government including its commercial and trading activities and an appraisal of the operational performance of the Indraprastha Power Generation Company Limited. The last chapter of this report contains an appraisal of the internal control systems prevalent during the last five years up to March 2007 in the Government of NCT of Delhi. A synopsis of the audit findings are presented hereunder.

### Accounts of the Government of NCT of Delhi

Following are the significant changes during 2006-07 over the previous year:

- Revenue receipts grew by Rs.1,350.08 crore (12.45 *per cent*). The increase was mainly contributed by tax revenue (Rs.1,216.52 crore) and non-tax revenue (Rs. 64.62 crore).
- Revenue expenditure and Capital expenditure increased by Rs.1,240.09 crore and Rs.280.52 crore respectively.
- The recoveries of loans and advances decreased by Rs. 91.04 crore while the disbursement of loans and advances increased by Rs.393.97 crore.
- Public debt receipts as well as repayment decreased by Rs.1,894.31 crore and Rs.89.90 crore respectively.
- The cash balances at the close of 2006-07 increased by Rs.3,457.97 crore over the previous year as a result of inflows and outflows of the funds stated above during the year.

*(Paragraph 1.1.1)*

The share of revenue receipts in total resources of the State increased from 63 *per cent* in 2002-03 to 74 *per cent* in 2006-07 with inter-year variations. The share of capital receipts declined correspondingly from 37 *per cent* to 26 *per cent* during this period. The total receipts of the State Government increased by 55.91 *per cent* from Rs.10,534.30 crore in 2002-03 to Rs.16,424.38 crore in 2006-07, of which Revenue Receipts increased by 82.92 *per cent* from Rs.6,665.94 crore in 2002-03 to Rs.12,193.61 crore in 2006-07.

*(Paragraph 1.3)*

While non debt capital receipts increased by 10.65 *per cent* from Rs.206.63 crore in 2002-03 to Rs.228.63 crore in 2006-07, the debt capital receipts, which create future repayment obligations, increased from Rs.3,661.73 crore in 2002-03 to Rs.4,002.14 crore in 2006-07. The recovery of loans and advances decreased by Rs. 91.04 crore over previous year.

(Paragraph 1.3)

The share of revenue expenditure in the total expenditure (excluding loans and advances) remained on an average around 82.6 *per cent* during the period 2002-07 leaving inadequate resources for capital expenditure including asset creation. During 2006-07 the share of revenue and capital expenditure in total expenditure were 81 and 19 *per cent* respectively. These trends indicate that major proportion of total expenditure excluding loans and advances was being incurred towards meeting the current consumption requirements.

(Paragraph 1.5.1)

The total assistance provided by way of grants and loans to local bodies and others at the end of 2006-07 increased by 260.41 *per cent* over the previous fiscal year which was largely on account of increase in assistance to Municipal Corporation of Delhi, Delhi Jal Board and others which included assistance of Rs.883.51 crore given to Delhi Transport Corporation in 2006-07. Assistance to local bodies and other institutions as percentage of total expenditure also increased from 12.53 *per cent* in 2005-06 to 38.41 *per cent* in 2006-07.

(Paragraph 1.5.4)

Total investments in Government companies etc. increased from Rs.2,063.66 crore at the end of March 2006 to Rs.2,850.38 crore at the end of March 2007. The increase in investments in 2006-07 over the previous fiscal year was mainly on account of new investment of Rs.307.60 crore, Rs.150.00 crore in Delhi Metro Rail Corporation Limited and Indraprastha Power Generation Company Limited respectively and conversion of loan into equity of Rs. 323.19 crore in Pragati Power Corporation Ltd. Major investments were made mainly in Delhi Rail Metro Corporation Limited, Pragati Power Corporation Limited and Indraprastha Power Generation Company Limited which constituted 90.95 *per cent* of the total investments made upto March 2007. As per the latest accounts finalized for these three corporations, only Pragati Power Corporation Limited gave dividend of Rs.14.00 crore to the Government for the year 2005-06.

(Paragraph 1.6.2)

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 marginally improved (Rs.110 crore) while primary surplus slightly declined (Rs.118 crore) and fiscal surplus (Rs.245 crore) turned into a deficit of Rs.410 crore during 2006-07 over the previous year.

The appreciable feature of fiscal trends was that 96.8 *per cent* of the total expenditure is met through its own non-debt receipts comprising of tax revenue, non tax revenue and non-debt capital receipts during 2006-07. However, recovery of interest receipts as *per cent* to outstanding loans and advances disbursed by the NCT of Delhi remained grossly inadequate to cover the cost of borrowings during the period 2002-07. Moreover, the investments of government of NCT of Delhi also yielded negligible rate of return relative to the interest rate paid on the borrowed funds during the period 2002-07. The increasing share of revenue expenditure during the period 2002-07 which has reached the level of 60 *per cent* of total expenditure and relatively higher share of loans and advances disbursed by the NCT of Delhi (which constituted little more than 1/4<sup>th</sup> of the total expenditure during 2006-07) led to a near stagnation in the capital expenditure relative to total expenditure during the last three years (2004-07) which was also reflected by a significant decline in asset back up of the fiscal liabilities during the last two years.

(Paragraph 1.10)

### Appropriation Accounts

Charged expenditure like interest payments, repayment of debts etc. constituted 17 *per cent* of the total expenditure.

(Paragraph 2.3)

During 2006-07, Government of NCT of Delhi was authorized Rs.14,264.84 crore as Original Grant/Appropriation and Rs.8,025.61 crore as Supplementary Grant/Appropriation. Against the total provision of Rs. 22,290.45 crore, the total expenditure aggregated to Rs. 14,037.37 crore. There were savings of Rs. 8,253.08 crore which constituted 37.03 *per cent* of the total grant/appropriation.

(Paragraph 2.4)

Savings exceeded the supplementary grants that were obtained subsequently. Large savings occurred in departments of Education, Industries, Legislative Assembly, Development Department, Urban Development and Public Works Department.

(Paragraph 2.5.1 (a))

An expenditure totaling Rs.45.26 crore in 52 cases under eight grants incurred on 'New Service/New Instrument of service' was met through re-appropriation without the approval of Legislature.

(Paragraph 2.5.1 (e))

Re-appropriation was unwarranted in 60 cases as the original provision under the sub-head to which funds were transferred by re-appropriation was more

than adequate. As a result, the final unspent amounts under the sub-heads were greater than the amounts re-appropriated to those sub-heads.

*(Paragraph 2.5.3)*

## **Civil Departments**

### **Health and Family Welfare Department**

#### **Avoidable expenditure on purchase of oxygen cylinders**

Inability of Deen Dayal Upadhyay Hospital to get an Oxygen Concentrator repaired within the warranty period led to an avoidable expenditure of Rs. 34.25 lakh on procurement of 38,813 oxygen cylinders from local source.

*(Paragraph 3.1)*

#### **Delay in installation of Medical Equipment**

Failure of Dr. Baba Saheb Ambedkar Hospital to get vital medical equipment installed even after two years of their receipt rendered the investment of Rs. 19.67 lakh idle, besides affecting adversely the patient care services.

*(Paragraph 3.2)*

#### **Wasteful expenditure on procurement of an incinerator**

One incinerator of 100 kg/hour capacity installed at G.B. Pant Hospital in February 2003 could not be put to use for the last 4½ years. The hospital continues to dispose off its bio-medical waste through the common incineration facility at Lok Nayak Hospital, thereby rendering the entire expenditure of Rs. 20.53 lakh wasteful.

*(Paragraph 3.3)*

#### **Unfruitful expenditure on purchase of infant ventilators**

Two infant ventilators procured by Lok Nayak Hospital through an Indian agent of a foreign firm could not be installed even after 26 months of their receipt due to various defects. Consequently, the hospital could not derive intended benefits from the investment of Rs. 13.22 lakh on procurement of these ventilators.

*(Paragraph 3.4)*

## **Department of Home**

### **3.5 Non-recovery of licence fee**

Departmental authorities failed to evict unauthorized occupants of Government quarters and recover licence fee and damage charges amounting to Rs. 37.93 lakh.

(Paragraph 3.5)

## **Public Works Department**

### **Avoidable expenditure due to inaccurate estimates**

Department sanctioned a detailed estimate of work for Construction of District Courts at Rohini without accurately assessing the quantity of items of work to be executed. This led to an avoidable expenditure of Rs. 74.69 lakh on account of payment to the contractor at market rates for the quantity of items executed over and above the limits prescribed in the agreement.

(Paragraph 3.6)

### **Unintended benefit to a contractor**

Executive Engineer, PWD-XX charged interest at the rate of eight *per cent* on mobilisation advance and plant & machinery advance paid to a contractor, instead of the stipulated rate of 10 *per cent*. This resulted in an undue benefit of Rs.14.29 lakh to the contractor.

(Paragraph 3.7)

### **Avoidable expenditure on cost escalation**

Failure on the part of the Public Works Department to ensure unhindered execution and timely completion of works led to avoidable additional expenditure of Rs. 6.66 crore.

(Paragraph 3.8)

## **Department of Training and Technical Education**

### **Unauthorised occupation of staff quarters**

Failure of the departmental authorities to recover licence fee and damage charges from unauthorized occupants of Government quarters led to loss of revenue of Rs. 47.41 lakh.

*(Paragraph 3.9)*

## **Delhi Jal Board**

### **Irregular payment of escalation charges**

Incorrect application of rules led to extra payment of Rs.29.62 lakh to a contractor on account of escalation charges.

*(Paragraph 4)*

## **Government Commercial and Trading Activities**

As on 31 March 2007, there were ten Government Companies with total investment of Rs.6182.75 crore (equity Rs.711.60 crore, share application money Rs.6 crore long-term loans Rs.5465.15 crore) and two Statutory Corporations with total investment of Rs.5130.12 crore (capital Rs.129.88 crore, share application money Rs.13 crore and long-term loans: Rs.4987.24 crore).

The accounts of four working Government Companies and one Statutory Corporation viz. Delhi Transport Corporation were in arrears for periods ranging from one year to ten years as of September 2007. One Statutory Corporation viz. Delhi Financial Corporation had, however, finalised its accounts for the year 2006-07. Delhi Transport Corporation had accumulated losses aggregating to Rs.4008.46 crore which exceeded its paid-up capital of Rs.117 crore. Delhi Financial Corporation earned a profit of Rs.5.40 crore.

*(Paragraphs 5.1 to 5.9)*

## **Indraprastha Power Generation Company Limited**

### **Operational performance of Indraprastha Power Station**

Indraprastha Power Station (IP Station) was set up during 1963 to 1971 in three phases by the erstwhile Delhi Electric Supply Undertaking (DESU). It

comprises five units with originally installed capacity of 284.10 MW which was subsequently reduced to 247.50 MW due to closure (June 1995) of economically unviable Unit No.1. Haryana Vidyut Parsaran Nigam Limited (HVPNL) has one-third share in the units 2, 3 and 4 of IP Station. The management of the IP Station was transferred from DESU to Delhi Vidyut Board (DVB) in February 1997 and on unbundling of DVB, the IP Station was placed (July 2002) under the newly constituted Indraprastha Power Generation Company Limited (IPGCL).

Performance review of the Operational performance of Indraprastha Power Station revealed inter alia the following:

- The IP Station was incurring losses continuously and the losses increased from Rs. 5.02 crore in 2002-03 to Rs. 61.51 crore in 2006-07.
- The average Plant Load Factor (PLF) of IP Station during the period 2002-07 was 39.16 *per cent* as against the 76.45 *per cent* and 76.83 *per cent* recorded by PARAS and SARNI power plants which are of the same age and type. Low PLF resulted in lower generation estimated at Rs. 367.68 crore for the period 2002-07
- Forced outages were far in excess of the CEA norms. Such outages resulted in non-availability of plant for 17739 hours resulting in generation loss of 1091.67 Million Units valuing Rs. 201.01 crore.
- Auxiliary consumption increased from 11.95 *per cent* in the year 2002-03 to 15.51 *per cent* in the year 2006-07 as against 11.64 *per cent* allowed by Delhi Electricity Regulatory commission (DERC) resulting in excess auxiliary consumption 89.134 MU valuing Rs. 18.05 crore which could not be dispatched to the grid.
- Delay in repair of rotor, non procurement of new rotor and delay in completion of overhauling works due to non availability of spares resulted in loss of 429.986 MU valuing Rs. 86.65 crore.
- Failure to comply with the directives of Central Electricity Authority (CEA) and deficiencies in operation of ash evacuation system led to collapse of Electro Static Precipitator (ESP) hoppers of Unit No 3 resulting in loss of generation of 30.60 MU valuing Rs. 6.24 crore.
- Heat consumption per unit of electricity generated increased from 3443.36 to 3791 K.cal/ kwh during 2002-03 to 2006-07 as against 3235 K.cal/ kwh allowed by the DERC resulting in excess consumption of coal worth Rs. 89.47 crore and Light Diesel Oil (LDO) worth Rs. 4.58 crore during the period.

*(Paragraph 5.10)*

**Delhi SC/ST/OBC/Minorities/Handicapped Financial & Development Corporation Limited**

Construction of a building much in excess of requirement resulted in substantial under-utilisation.

(Paragraph 5.11)

**Delhi State Civil Supplies Corporation Limited**

Non-utilisation of newly constructed godowns resulted in idle investment of Rs.3.16 crore.

(Paragraph 5.12)

**Indraprastha Power Generation Company Limited**

Due to delay in filing of application for registration under the Sales Tax Act, the Company had failed to avail of the benefit of payment of sales tax at concessional rates on its interstate purchases resulting in avoidable expenditure of Rs.1.04 crore on account of payment of additional sales tax.

(Paragraph 5.13)

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

Directorate of Training and Technical Education (DTTE) of Government of NCT of Delhi is entrusted with the responsibility to produce globally competent technical manpower by imparting best quality technical and vocational education. An appraisal of the internal control system in DTTE revealed many inadequacies in key areas of performance. The budgetary controls were weak as there was substantial savings under plan expenditure during 2002-07. Heavy rush of expenditure was observed in the month of March in the technical and training wings of DTTE. Internal controls in cash management were weak.

(Paragraphs 6.6 and 6.7)

There were 31 *per cent* vacancies in DTTE as of March 2007. Large number of vacancies in teaching posts affected the results of Polytechnics and Industrial Training Institutes (ITIs) during 2002-07. Placement of students in the ITIs was 58 *per cent*. In ITI, Malviya Nagar, only 28 *per cent* of the students got placement during 2002-07.

(Paragraphs 6.8 and 6.10.2)

The State Directorate of Training conducted only 44 inspections of the training institutes/centres against the total 192 inspections due during



2002-07. Inspection of Revenue Receipts conducted by the DTTE in four ITIs during April-May 2007 revealed embezzlement and misappropriation of funds.

*(Paragraph 6.10.1)*

DTTE was not aware of the physical and financial progress of the capital works sanctioned by it at a total cost of Rs. 11.64 crore during 2002-07.

*(Paragraph 6.10.4)*

The Directorate of Internal Audit (DIA) in the Department of Finance is responsible for the internal audit of all the departments of the Government of NCT of Delhi. There was a continuing shortfall in coverage of units by the DIA during 2002-07 (except in 2003-04) which ranged from 9 *per cent* to 19 *per cent*. The number of outstanding paras increased from 40,440 in April 2002 to 40,692 in March 2007 and the percentage of paras settled during these years ranged from three to five *per cent* only. The outstanding recovery in respect of the units covered by the DIA was pegged at Rs. 8.52 crore as on March 2007.

*(Paragraphs 6.11.1 and 6.11.2)*

Compliance to audit observations made in the inspection reports of Statutory Audit was also low as a total of 7,558 paras (civil, revenue and commercial) were outstanding as on March 2007. Of these, 176 paras were more than 10 years old.

*(Paragraph 6.11.5.1)*

Response to draft paras issued to Civil Departments was unsatisfactory as no reply was received from the Government/Management to 10 draft paras issued by Statutory Audit between April and November 2007 for inclusion in this Report.

*(Paragraph 6.11.5.2)*