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 2003-04 and five other chapters comprising of six reviews and 42 paragraphs dealing with the results of audit of selected programmes and schemes and of the financial transactions of Government including its commercial and trading activities. The chapter on audit of revenue receipts brings out loss of revenue or non-collection of revenue amounting to Rs. 410.05 crore. 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 2003-04, the total receipts and expenditure of Government of NCT of Delhi on revenue account were Rs. 7,348 crore and Rs. 5,087 crore respectively which yielded a revenue surplus of Rs. 2,261 crore. The loans and advances disbursed by the Government during the year were Rs. 4,103 crore while the recoveries were merely Rs. 256 crore. The Government of NCT of Delhi borrowed Rs. 4,665 crore from the Union Government during the year.

(Paragraphs 1.4, 1.8, 1.13 & 1.17)

Revenue receipts increased from Rs. 6,666 crore in 2002-03 to Rs. 7,348 crore in 2003-04. The share of tax revenue in total revenue receipts was Rs. 5,884 crore, which constituted 80 *per cent* of the total revenue receipts. Sales tax continued to be the major contributor to tax revenue constituting 75 *per cent* of the total tax revenue.

(Paragraphs 1.4 & 1.5)

Revenue expenditure increased by 10.63 *per cent* from Rs. 4,598 crore in 2002-03 to Rs. 5,087 crore in 2003-04. Capital expenditure decreased by 7 *per cent* from Rs. 914 crore in 2002-03 to Rs. 853 crore in 2003-04. Loans by the NCT Government increased by 9.22 *per cent* from Rs. 3,757 crore in 2002-03 to Rs. 4,103 crore in 2003-04.

(Paragraphs 1.8 & 1.13)

During 2003-04, interest payments increased by 23 *per cent* and interest receipts increased by 17 *per cent* as compared to previous year resulting in 33.5 *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. 18,503.78 crore in 2002-03 to Rs. 22,351.21 crore in 2003-04 which constituted an increase of 21 *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. 230 crore in 2003-04 in government companies, bringing the total investment in government companies, statutory corporations and co-operative societies at the end of March 2004 to Rs. 1,378 crore. The dividend received however, was only Rs. 3.66 crore.

(Paragraph 1.15)

During 2003-04, nil expenditure was reported in respect of 195 schemes under revenue section and 63 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 93.14 *per cent* from Rs. 6,455.67 crore in 1999-2000 to Rs. 12,468.57 crore during 2003-04, the voted expenditure increased by 59.37 *per cent* from Rs. 5,865.11 crore in 1999-2000 to Rs. 9,347.43 crore in 2003-04. Charged expenditure has increased by 428.51 *per cent* from Rs. 590.56 crore in 1999-2000 to Rs. 3,121.14 crore in 2003-04 largely on account of increased debt servicing.

(Paragraph 2.3)

During 2003-04 Government of NCT of Delhi was authorized Rs. 10,512.98 crore as Original Grant and Rs. 3,286.56.crore as Supplementary Grant. Against this total provision of Rs. 13,799.54 crore, total expenditure aggregated to Rs. 12,468.57 crore. There were savings of Rs. 1,330.97 crore which constituted 9.65 *per cent* of the total grant for the year.

(Paragraph 2.4)

The primary reasons for the savings of Rs. 1,330.97 crore were stated to be release of less grant to various organizations like MCD (Rs. 90.32 crore), non-implementation of schemes (Rs. 56.85 crore), slow progress of work (Rs. 26.39 crore), non filling of vacant post (Rs. 22.68 crore), less requirement of amount (Rs. 26.25 crore), non receipt of sanctions (Rs. 13.46 crore) and receipt of less grant from Central Government (Rs. 9.18 crore).

(Paragraph 2.5.1)

Against the total savings of Rs. 1,330.97 crore, an amount of Rs. 252.04 crore was surrendered on the last day of the financial year. The remaining savings of Rs. 1078.93 crore were not surrendered, thereby depriving the Government of the opportunity of using these funds in other needy sectors.

(Paragraph 2.5.2)

The Department of Public Health was given a supplementary grant of Rs. 15.62 crore which proved unnecessary as the final expenditure was even less than the original grant.

(Paragraph 2.5.5)

Funds amounting to Rs. 56.76 crore received from the Central Government for implementation of 127 Centrally Sponsored Schemes up to the end of 2003-04 remained unutilised as on 31 March 2004.

(Paragraph 2.5.7)

In 13 grants, 1.02 *per cent* to 100 *per cent* of the total expenditure of the year was incurred in the month of March.

(Paragraph 2.5.10)

Improvement of Scheduled Caste Basties

The Government of NCT of Delhi operates a welfare scheme of "Improvement of Scheduled Caste (SC) Basties" aimed at improving the living conditions in basties predominantly inhabited by the Scheduled Castes (SC) community by carrying out civic works and providing community facilities. The Department for the Welfare of SC/ST/OBC/Minorities is the nodal department for implementation of the scheme while the Irrigation & Flood Control Department is the executing agency. A performance audit of the scheme disclosed deficiencies in programme planning and management with targets being set and works undertaken in an ad hoc manner without adequate survey or study. The scheme was being implemented with a works-centric approach rather than with an objective-centric approach. Consequently, works valued at Rs.3.92 crore were undertaken in areas which were not covered under the scheme while other works like provision of electrical fittings in community chaupals or installation of high mast lights were undertaken without ensuring their ultimate utility or necessity in terms of the objectives of the scheme. No provision was made for the upkeep and maintenance of assets created at an expenditure of Rs.55.55 crore under the scheme during the five years covered in the performance appraisal, which resulted in the deterioration of assets worth at least Rs.7.17 crore with the passage of time. Monitoring arrangements were also inadequate and the task forces created to verify the works done remained non-functional.

Consequently, the impact of the scheme on the living conditions in the SC basties was limited.

There is need for a thorough review of the approach and implementation of the programme as well as its monitoring and impact evaluation structure to facilitate attainment of the stated objectives.

(Paragraph 3.1)

Education Department

Excess release of grants-in-aid to an aided school

Directorate of Education released excess grants-in-aid of Rs. 1.01 crore to an aided school during 1997-98 to 2003-04 in violation of the provisions of the Delhi School Education Act. The grants-in-aid was released though the student population of the school steadily declined from 409 to just 10 by March 2003.

(Paragraph 3.2)

Development Department

Unfruitful expenditure on construction of Multi Purpose Community Centres

Failure on part of the Development Department to properly conceptualise, plan and implement a scheme for construction of Multi Purpose Community Centres resulted in unfruitful expenditure of Rs.14.11 crore during 1995-96 to 2003-04. Moreover most (42) of the 62 MPCCs constructed were being only partially utilised thus defeating the very purpose of the scheme.

(Paragraph 3.4)

Medical and Public Health Department

Blockage of funds on account of encroached land

Directorate of Health Services could not take possession of land required for extension of the hospital facilities due to non-clearance of encroachments resulting in blockage of Rs. 7.82 crore. In addition, expenditure of Rs. 16.06 lakh incurred on construction of boundary wall proved unfruitful as it remained incomplete.

(Paragraph 3.5)

Public Works Department

Wasteful expenditure due to poor planning and defective execution

Poor and defective planning, failure to properly sequence two different works to be executed on same site and improper execution of road strengthening works resulted in wasteful expenditure of Rs.35.59 lakh. In addition, public roads constructed at cost of Rs.29.62 lakh could not be utilised for about nine years due to poor co-ordination between the concerned Departments.

(Paragraph 3.6)

Irregularities in the award and execution of the work of Punjabi Bagh Flyover Project

Project Manager, Punjabi Bagh Flyover Project, included an item for plant, machinery and equipment in the schedule of quantities, which was already included in the rates of other relevant items of work resulting in double payment of Rs. 3.65 crore. Moreover, failure to ensure unhindered execution of work by the contractor led to avoidable additional payment of Rs. 1.36 crore on account of escalation in the cost of labour and material. There was also excess payment of Rs. 38.04 lakh for purchase of land from the Railways which was yet to be refunded.

(Paragraph 3.8)

Blockade of funds and denial of medical facilities to needy patients

The foundation of Phase III building of GNEC was incapable of supporting an additional floor despite provision of the same in the estimates, due to negligence of PWD. This coupled with delay in completion of residual building work led to hospital building constructed at a cost of Rs.3.95 crore remained unused for more than five years depriving the patients of the intended facilities.

(Paragraph 3.9)

Irrigation and Flood Control Department

Unfruitful expenditure on construction of boundary walls

Failure of the Department to ensure the availability of encroachment free site before award of work and lapse of the Panchayat Department to inform about litigation/encroachment on the land coupled with injudicious foreclosure of work led to unfruitful expenditure of Rs.63.39 lakh on construction of boundary walls around Gram Sabha land at villages Jaunpur and Bawana.

(Paragraph 3.12)

Review on Development of Urban and Rural villages by MCD

The Government of NCT of Delhi implements two schemes aimed a providing civic facilities and infrastructure like paved pathways, drains, street lighting, parks, community centres etc. in the rural and urban villages in the NCT of Delhi. The Development Department and the Department of Urban Development function as the nodal departments for the schemes for development of rural and urban villages respectively. The Municipal Corporation of Delhi is the executing agency.

Performance audit of these schemes revealed that like the scheme for development of SC basties, these two schemes also suffered from a works-focused approach rather than a schematic or objective-centric approach. Targets were set in terms of sporadic number of items of various works based on requests received from the local population or on the recommendations made by the Area Councillors or MLAs. The executing agency planned the annual works programmes and budget provisions on the basis of the previous year's expenditure and requests from the public rather than on the basis of a shelf of projects determined after a comprehensive survey against predetermined objectives. Because of this works-focused approach, the main issue of achievement of objectives is superseded almost entirely by an over-riding emphasis on individual isolated works.

Lack of a schematic approach was also reflected in poor financial management of available resources with funds not required immediately being parked in a current account instead of an interest bearing account which would have yielded an interest of Rs.1.38 crore during the period 2001-04 thereby augmenting the resources available under the schemes. Scheme funds of Rs. 2.56 crore were diverted to other projects without approval of the Government of Delhi as required under the terms of the sanction.

Monitoring of completion of the individual works and their quality was also far from satisfactory. There were shortfalls in achievement of targets with only 77.84 kms of outfall drains being constructed against target of 197 kms during 1998-2004. The sewage water generated in these villages thus continued to stagnate in open areas/ponds posing a health hazard to the inhabitants. MCD also failed to undertake projects for development of plots allotted to harijans/landless persons, afforestation of vacant land and construction of lavatory blocks envisaged under the scheme for rural villages. A total of 433 works remained incomplete despite expenditure of Rs. 11.06 crore and lapse of period ranging from six to 73 months from their stipulated date of completion. Such implementation of the schemes in an open-ended manner rather than against phased milestones within a consolidated shelf of works or projects stymied their impact and limited the achievement of the objectives of the scheme.

There is a clear need for the Government to review the implementation of the two schemes and conduct systematic surveys to identify and prioritize the works required to be carried out so as to ensure attainment of the stated objectives in a time bound manner.

(Paragraph 4)

Revenue Receipts

Revenue receipts from taxes increased from Rs. 3,838.27 crore in 1999-2000 to Rs. 6834.51 crore in 2003-04. Sales tax continued to be the major contributor of tax, revenue and constituted 75.35 *per cent* of the total tax receipts.

(Paragraph 5.1)

Total sales tax demand awaiting recovery increased from Rs. 8,327.83 crore at the end of the year 2002-03 to Rs. 9,364.77 crore in 2003-04.

(Paragraph 5.3)

Collection of arrears of sales tax

A review on collection of arrears of sales tax revealed that:

Arrears in collection of sales tax almost doubled from Rs. 4,718.04 crore in 1999-2000 to Rs. 9,364.77 crore in 2003-04. Recovery of sales tax as a proportion of demands raised declined from 0.92 to 0.71 *per cent* which was indicative of inadequate or ineffective collection efforts.

(Paragraph 5.6.4)

There were 56,598 cases pending on account of appeals and revisions with various authorities of which 56,065 i.e. 99 *per cent* involving revenue of Rs. 1,608.75 crore were pending with various departmental authorities.

(Paragraph 5.6.5)

Failure of the Recovery Branch to diligently and effectively follow up recovery processes in accordance with the provisions of the Delhi Sales Tax Act and the Delhi Land Reforms Act coupled with failure to insist upon furnishing of full details of the business and property of the dealers at the time of registration resulted in non-recovery of Rs. 136.43 crore from 81 dealers.

(Paragraph 5.6.10)

Failure of various Sales Tax Officers to initiate serious recovery action against defaulting dealers resulted in non-recovery of Rs. 14.29 crore from 90 dealers. As the dealers were now either non-functioning or non-traceable, the chances of recovery of these Government dues were remote.

(Paragraph 5.6.11(i))

Review on collection of stamp duty

A review of the collection of stamp duty revealed that:

The value of stamps required to be affixed on share transactions during 1999-2000 to 2002-03 was Rs. 149.44 crore. As against this, stamps of the value of only Rs. 31.32 crore were sold by the treasury indicating a revenue shortfall of Rs. 118.12 crore due to short usage of stamps.

(Paragraph 5.7.6)

The value of documents registered with the sub-Registrar offices during 2000-01 and 2001-02 was more than the stamp papers sold by Rs. 46.03 crore. No mechanism existed for ascertaining the reasons for the discrepancy.

(Paragraph 5.7.7)

Stamps worth Rs. 239.75 crore dispatched by the Indian Security Press, Nasik, remained unaccounted for in the books of Delhi Treasury.

(Paragraph 5.7.8)

Information technology review of activities relating to registration of vehicles, collection of fees and road tax and issue of driving licenses by Transport Department

Information technology review revealed that:

The Department invested Rs. 9.84 crore without constituting a Steering Committee and without a formal IT policy or strategy. Consequently, the system suffered from a number of deficiencies.

(Paragraph 5.8.6)

Networking of Headquarters office with zonal offices and the National Crime Records Bureau could not be achieved despite incurring of expenditure of Rs. 72.53 lakh. Expenditure of Rs. 28.35 lakh on leasing of MTNL lines proved to be infructuous.

(Paragraph 5.8.7)

There were a large number of cases of duplicate chassis numbers and engine numbers which were not only illegal but were also fraught with risk of plying of invalid/stolen vehicles.

(Paragraph 5.8.8(i))

The system lacked proper validation checks and the database was both unreliable and incomplete. Test check of five zones revealed net short levy of fees of Rs. 14.09 lakh attributable to lack of proper validation, incomplete and incorrect information and failure to integrate the database of different zones.

(Paragraphs 5.8.8 (iv) & (viii))

Potential revenue of Rs. 26.32 crore was blocked due to non-disposal of challans. Moreover, the possibility of unauthorised disposal of challans could not also be ruled out.

(Paragraph 5.8.8(vi))

Draft Paragraphs

Sales tax

Grant of exemption on statutory forms beyond the prescribed limit resulted in non-levy of tax amounting to Rs. 1.44 crore inclusive of interest.

(Paragraph 5.9)

Incorrect application of rate of tax resulted in short levy of tax amounting to Rs. 12.48 crore. In addition, interest of Rs. 5.21 crore and penalty of Rs. 31.19 crore were also leviable.

(Paragraph 5.12)

Irregular grant of exemption on export on the basis of deficient/incomplete certificates from chartered accountants resulted in non-levy of sales tax amounting to Rs. 1.72 crore including interest.

(Paragraph 5.16)

Irregular grant of exemption on transit sale resulted in short levy of tax of Rs. 1.18 crore inclusive of interest.

(Paragraph 5.21)

Short accountal of purchase/sale/stock resulted in under assessment of sales tax amounting to Rs. 6.17 crore inclusive of interest and penalty.

(Paragraph 5.24)

Motor vehicles tax

Failure to enforce the provisions of the Motor Vehicles Act and recover the fees and road tax chargeable for renewal of registration and for issue of fitness certificates resulted in a loss of revenue of Rs. 69.57 crore.

(Paragraph 5.25)

Delay on the part of the Transport department in increasing the rates of fees leviable under the Motor Vehicle Rules 1988 resulted in short collection of revenue of Rs. 1.89 crore.

(Paragraph 5.26)

State excise

There was loss of revenue of Rs. 23.03 lakh due to incorrect fixation of ex-distillery price for supply of Indian made foreign liquor/ beer.

(Paragraph 5.27)

Entertainment tax

Failure to levy Entertainment tax on complimentary tickets issued by the Delhi District Cricket Association for cricket matches led to a loss of revenue of Rs. 3.11 crore.

(Paragraph 5.28)

Government Commercial and Trading Activities

As on 31 March 2004 there were nine Government companies with total investment of Rs. 7,162.60 crore (equity: Rs. 383.07 crore share application money: Rs. 3,265.25 crore, long-term loans: Rs. 3,514.28 crore) and two statutory corporations with total investment of Rs. 2,821.55 crore (capital: Rs. 142.70 crore, long-term loans: Rs. 2,678.85 crore).

The accounts of seven of these nine working Government companies were in arrears for periods ranging from one to ten years as of September 2004. Both the statutory corporations, viz. Delhi Transport Corporation and Delhi Financial Corporation had, however, finalized their accounts for the year 2003-04. While the Delhi Transport Corporation had accumulated losses aggregating Rs. 2,420.50 crore which far exceeded its paid-up capital of Rs. 117 crore, the Delhi Financial Corporation earned a profit of Rs. 5.03 crore.

(Paragraph 6.1 to 6.9)

Department of Power

Indraprastha Power Generation Company limited

Review of Fuel Management in Power Sector

The three power stations of the Indraprastha Power Generation Company (IPGCL), viz. Indraprastha Thermal Power Station (ITPS), the Rajghat Thermal Power Station (RTPS) and the Gas Turbine Power Station (GTPS) purchase their requirement of coal from the Central Coal Fields Limited and the Northern Coal Fields Limited on the basis of allocations made by the Standing Linkage Committee comprising of representatives from Coal India Ltd. and the Union Ministries of Coal, Railways and Power as per generation targets fixed by the Central Electricity Authority (CEA). Some of the important points noticed in the review were as under:

There was a shortfall in achievement of generation targets ranging between 107 Million Units (MU) to 419 MU during the period under review mainly due to non-utilization of allotted quantity of coal.

IPGCL incurred an extra expenditure of Rs. 51.08 crore on procurement of coal at higher rates for the Rajghat Power Station.

Low thermal efficiency at the RTPS and ITPS resulted in a generation loss of 2773 MU valued at Rs. 802.73 crore. In addition, there was an avoidable generation loss of 1688 MU due to incorrect assessment of the demand for power and requirement of gas in GTPS.

A quantity of 3.04 lakh metric tonnes of coal valued at Rs. 55.51 crore was consumed in excess in both the thermal power plants (RTPS/ITPS).

IPGCL also incurred an extra expenditure of Rs. 18.55 crore due to excess consumption of secondary oil. IPGCL could not recover claims worth Rs. 24.37 crore for missing wagons due to failure to produce the railway receipts and colliery bills.

(Paragraph 6.10)

Information Technology audit of payroll system in Delhi Transport Corporation (DTC)

The Delhi Transport Corporation initiated computerisation of its payroll system in May 1998. Despite being in operation for the last four years the system is marked by several discrepancies in the software resulting in non-generation of critical reports, inaccuracies in programming and inadequate input controls. The payroll system also lacked adequate physical and logical controls which exposed it to unauthorised access and damage.

(Paragraph 6.11)

Internal control/internal audit in power sector companies

There was inadequate documentation of all transactions and significant events of the companies showing that internal control structure was not proper. The fundamental precepts of a sound internal audit system had not been adopted by the power sector companies. The internal audit structures and practices were weak, ad hoc and clearly not commensurate with the size and scope of the business.

There was no internal audit manual prescribing the quantum and standards of audit in any of the companies. The independence or autonomy of the internal audit was not secured as there was no system of direct reporting of the observations of internal audit to the Board of Directors/CMD. The staff of the internal audit wing was not adequately trained nor were their responsibilities and duties clearly defined.

Three reports issued by the internal audit wing contained 26 audit observations of money value of Rs. 60.17 lakh and all were found pending for compliance. There was no system of compliance of the observations of the internal audit in any of the companies. No internal audit reports had been placed before the Audit Committees of IPGCL and DTL for discussion. The Board of Directors had not prescribed a system for monitoring outstanding observations.

(Paragraph 6.12)

Implementation of Voluntary Retirement Scheme by Public Enterprises/Corporations

Government of India introduced a scheme for voluntary retirement of employees of public enterprises in October 1988 with a view to reducing surplus manpower and optimizing performance. A total of 545 employees opted for VRS in IPGCL, DSIDC, DSCSC and DTTDC and were paid an amount of Rs. 44.85 crore towards ex-gratia and other terminal benefits.

An audit appraisal of the implementation of the VRS schemes revealed that the enterprises did not adhere to the principles and guidelines prescribed by the Government of India in implementing the VRS. Three out of the four companies adopted VRS without obtaining necessary approval of the Government. The VRS was implemented without undertaking a systematic study to identify surplus manpower or redundant skills so as to ensure retention of an optimum manpower profile and without a full assessment of their financial liability and the resources required to meet them. The response to the schemes was poor and was not commensurate with the expected gains in terms of a streamlined organization despite heavy cash outflow towards payment of terminal benefits.

(Paragraph 6.13)

Delhi Financial Corporation

Failure to take concrete action to recover outstanding dues resulted in blocking of funds amounting to Rs. 4.41 crore. The purpose for which the loans had been disbursed was also defeated.

(Paragraph 6.14)

Incorrect fixation of revised repayment schedule coupled with injudicious one time settlement resulted in loss of Rs. 1.02 crore.

(Paragraph 6.15)

Delhi Transport Corporation

Acrylic destination boards were purchased at a cost of Rs. 16.60 lakh. The boards proved to be sub-standard and failed to serve the intended purpose of better visibility and presentation. The Corporation imposed only a nominal penalty upon the supplier instead of either cancelling the order or recovering the full cost which not only lacked justification but also resulted in undue favour to the supplier.

(Paragraph 6.16)

Non-observance of the provisions of the Employees Provident Fund Scheme resulted in excess contribution of Rs. 3.15 crore by the Corporation as the employer's share into the Provident Fund accounts of the employees.

(Paragraph 6.17)

Delhi Transco Limited

Failure to ensure that land being acquired for establishment of a sub-station was free of all encumbrances as well as technically suitable for the purpose resulted in blockage of funds amounting to Rs. 18.06 crore for over four years.

(Paragraph 6.18)

Failure of the Management to ensure timely action to encash bank guarantees despite default by the supplier resulted in avoidable loss of Rs. 13.79 lakh.

(Paragraph 6.19)

Indraprastha Power Generation Company Limited

The Company incurred an expenditure of Rs 16.36 lakh on account of income tax of its employees from its own funds instead of recovering it from the employees.

(Paragraph 6.20)

Delhi State Industrial Development Corporation Limited

Failure of the Company to properly conceptualize, plan and install bar coding systems resulted in expenditure of Rs. 29.77 lakh being rendered unfruitful. Further, the overall objective of monitoring inventory and sale of liquor and elimination of unscrupulous sales was defeated.

(Paragraph 6.21)

Internal Audit System in the Government of NCT of Delhi

An appraisal of the internal control system in the Directorate of Higher Education revealed that the Directorate had no system to systematically anticipate, assess and project the actual requirement of funds under Plan schemes. There were persistent savings under one Plan scheme during 1999-2004 and under another plan scheme during 2000-04 which ranged from 32.86 *per cent* to 81.21 *per cent*. Monitoring of expenditure was weak with instances of funds being released merely to avoid their lapse and there was no system of review of the performance of grantee institutions.

(Paragraph 7.2.1)

The Directorate of Internal Audit in the Department of Finance had 1,985 units under its audit jurisdiction as on 31 March 2004. Of these, it could cover only 1,469 units during the five years period 1999-2004 leaving out 26 *per cent* of the total number of units altogether. There were 41,391 internal audit paras outstanding with the Directorate as on 31 March 2004 including those involving recoveries of Rs. 5.76 crore to be effected by different government departments. Compliance and consequent settlement of paras ranged between a miniscule 1.10 to 4.18 *per cent* of the total number of pending paras and was in fact less than the additions made during the year.

(Paragraphs 7.3.1 & 7.3.2)

At the instance of the Accountant General (Audit) Delhi, the Government had activated the ad hoc State Level Audit Committee. As a result of these efforts, there was a net reduction of 5,458 paras outstanding as on 31 March 2004. However, given the fact that 10,616 paras were still outstanding, efforts need to be strengthened to expedite compliance to pending observations of statutory audit.

(Paragraph 7.3.6)

Audit planning needs to be strengthened and rationalized. Units should be selected after a systematic risk analysis taking into account staff constraints. The staff posted in the Directorate should be adequately trained and equipped to discharge their responsibilities effectively.

(Paragraph 7.3.7)