

REPORT OF THE
COMPTROLLER AND ATTORNEY GENERAL
OF THE STATE

FOR THE YEAR ENDING
JUNE 30, 1911

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ALBANY, N. Y., 1911

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 1990
NO. 12 OF 1991**

**MUNICIPAL CORPORATION OF DELHI
NEW DELHI MUNICIPAL COMMITTEE**

REPORT OF THE
COMMISSIONER OF THE GENERAL LAND OFFICE
FOR THE YEAR 1880

PRINTED BY THE GOVERNMENT PRINTER
1881

THE GENERAL LAND OFFICE
LONDON

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PREFATORY REMARKS

The approval of the President of India to carry out the audit of accounts of the Municipal Corporation of Delhi and the New Delhi Municipal Committee pertaining to all receipts and expenditure was conveyed by Government of India on 26th April 1988 and 18th December 1989 respectively. A test audit of the transactions of the Municipal Corporation of Delhi and the New Delhi Municipal Committee was conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

2. This report includes among others, reviews on

Municipal Corporation of Delhi

- (a) Delhi Fire Service.
- (b) Construction of Sanjay Gandhi Transport Nagar.
- (c) Commercial shops and plots.
- (d) Sewage treatment plants.
- (e) Erection of new units at Rajghat Power House.

New Delhi Municipal Committee

- (f) Licencing of shops and markets.

3. The cases mentioned in this Report are among those which came to notice in the course of test audit during the year 1989-90; matters relating to the period subsequent to 1989-90 have also been included, wherever considered necessary.

STATE OF NEW YORK

IN SENATE
January 15, 1914.

REPORT
OF THE
COMMISSIONERS OF THE LAND OFFICE
IN ANSWER TO A RESOLUTION PASSED BY THE SENATE
MAY 15, 1913.

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OVERVIEW

The Audit Report for the year ended 31 March 1990 contains 10 paragraphs including 6 reviews. The points highlighted in the Report are given below :

Municipal Corporation of Delhi

I. Administrative set-up and financial aspects

The submission of monthly abstracts of accounts, annual abstracts and appropriation accounts had been heavily in arrears in all wings of Municipal Corporation of Delhi. General Wing of the Corporation had not submitted the annual appropriation accounts for 1989-90 to the Municipal Chief Auditor. Delhi Electric Supply Undertaking (DESU) had also not submitted the annual accounts for 1988-89 and 1989-90 and annual appropriation accounts from 1981-82 to 1989-90. The annual accounts for 1984-85 onward and annual appropriation accounts from 1981-82 were yet to be certified by the Municipal Chief Auditor. The Water Supply and Sewage Disposal Undertaking had also not submitted the annual accounts and annual appropriation accounts from 1984-85 onwards.

The General Wing of the Corporation had reported an expenditure of Rs. 379.14 crores against an income of Rs. 392.13 crores during 1989-90. The revenue expenditure of DESU for the year was Rs. 755.90 crores against receipt of Rs. 522.61 crores leaving a revenue deficit of Rs. 233.29 crores. In addition there was capital expenditure of Rs. 214.31 crores. The total expenditure of Delhi Water Supply and Sewage Disposal Undertaking during the year was Rs. 157.74 crores against receipt of Rs. 139.74 crores.

As per information furnished by the Municipal Chief Auditor, vouchers for Rs. 1324.62 lakhs and payee's stamped receipts aggregating Rs. 55.36 lakhs were outstanding in the accounts upto 1987-88, which included large sums drawn more than a decade earlier.

(Paragraph 1)

II. Delhi Fire Service

The high rise buildings in the New Delhi Municipal Committee (NDMC) area had not been subject to any fire tax so far although property in the Corporation area had been subject to levy of fire tax from 1958. There is no uniformity in the levy of fire tax in the Union Territory of Delhi.

A demand for Rs. 10.6 crores made by Delhi Fire Service on NDMC had been outstanding as in March 1990.

The Fire Service had only 23 fire stations as against 63 stations considered necessary by the Board of Officers constituted by the Ministry of Home Affairs in 1976.

Grants-in-aid of Rs. 11.83 crores were sanctioned by Government of India during 1986-88 for setting up new fire stations and equipment. Against Rs. 7.85 crores earmarked for purchase of equipment, Rs. 5.82 crores were utilised upto March 1990.

A separate fire prevention wing, recommended in 1976, and approved in 1988, had not been set up. A survey made in February 1990 revealed that out of 220 high rise buildings, 157 (pre 1983) buildings had not been provided with the inbuilt fire protection arrangements. No penalty was imposed on the defaulters.

The contemplated increase in training at the training centre could not take place due to lack of space, training equipment etc. A Regional Training Centre, approved in 1988, had not been established. Reduction in working hours from 72 to 48 hours had not been given effect to. Out of 23 fire stations, staff belonging to 8 stations had no staff quarters.

Delhi Fire Service had not drawn up any programme for replacement of old and unserviceable vehicles.

Advances amounting to Rs. 25.25 lakhs given largely to suppliers in 1986-89 for supply of spare parts for vehicles remained unadjusted. (Paragraph 2)

III. Construction of Sanjay Gandhi Transport Nagar

Delhi Administration entrusted the construction of a transport nagar at Samepur Badli to the Corporation on 'no profit no loss basis' and funds were to be recovered in advance. However, the schedule of recoveries from the allottees was not adhered to and the funds of the Corporation had been spent on construction.

Upto March 1990, 80 per cent of the works had been completed and the expenditure till then worked out to Rs. 592 per square metre. However, plots had been allotted at a final rate of Rs. 425 per square metre resulting in a loss of Rs. 346.21 lakhs to the Corporation.

Departmental charges at 13.75 per cent of the project cost were not included in the cost computation resulting in non recovery of Rs. 107.29 lakhs up to March 1990.

Ground rent at 2.5 per cent per annum payable to Delhi Development Authority (DDA) had not been recovered. This had resulted in a loss of Rs. 47.03 lakhs.

The cost of the land was yet to be paid by the Corporation to DDA. The delay attracted an interest liability of 18 per cent per annum. The interest payable worked out to Rs. 550.13 lakhs upto March 1990.

The Corporation had incurred a loss of Rs. 1050.72 lakhs on the development of transport nagar which would be borne by its general revenues.

(Paragraph 3)

IV. Commercial shops and plots

Licences of 15 office units located at Municipal Market, Karol Bagh, allotted to four parties, were renewed by the Corporation without recovery of enhanced rate of licence fee resulting in arrears of enhanced licence fee amounting to Rs. 91.37 lakhs upto March 1990.

Ground rent of Rs. 60.41 lakhs had not been realised in respect of 43 commercial plots sold more than seven years back.

The possession of 27 plots has not been handed over to the allottees despite receipt of full payment during 1983-85. The possession of 23 commercial plots had not been handed over to the lessees although lease deeds had been executed during 1983-85. In these cases, ground rent had not been received for a number of years after allotment of land.

Bank guarantees in respect of 22 car/scooter parking sites auctioned during 1986-89 were not obtained from the contractors.

In contravention of the prescribed conditions, the possession of a commercial plot at Naniwala Bagh was handed over without receipt of interest of Rs. 5.18 lakhs after obtaining a personal undertaking instead of a bank guarantee. A sum of Rs. 10.77 lakhs including interest remained unrecovered up to June 1990.

The possession of a cinema plot was given without receipt of full interest on the delayed payments. The bank guarantee obtained was for an amount lesser than the amount due. Arrears of interest of Rs. 8.20 lakhs remained unrecovered. In addition, ground rent of Rs. 13.20 lakhs was also due from the lessee.

Demands for ground rent amounting to Rs. 60.41 lakhs were not raised in 46 cases though the allotments were made seven years back. A provision of interest or penalty on delayed payment of ground rent was not incorporated in the terms and conditions for sale of commercial plots.

In respect of a plot in a community centre, Ranjit Nagar, leased for the construction of a cinema hall, ground rent was short realised by Rs. 7.55 lakhs.

(Paragraph 4)

V. Panchayati Raj Sammelan

Against the estimate of Rs. 104.78 lakhs framed in January 1989, the amount claimed from Government of India was Rs. 235.45 lakhs out of which a sum of Rs. 190.26 lakhs was received by the Corporation. Claim of Rs. 45.19 lakhs made towards departmental charges, was disallowed by Government.

Total number of delegates and days for which accommodation, transportation and catering facilities were utilised were not available. In the absence of these details, the reasonableness of sums claimed by the contractors could not be vouchsafed.

Advances amounting to Rs. 29.02 lakhs paid to various departments of the Corporation had not been settled.

Salvage material including water storage tanks purchased at Rs. 13.54 lakhs remained unutilised for more than two years.

(Paragraph 5)

VI. Sewage treatment plants

The Delhi Water Supply and Sewage Disposal Undertaking undertook the construction of sewage treatment plants at Keshopur, Rithala and Kondli in 1983-84, 1985-86 and 1987-88 respectively. The plant at Keshopur was commissioned in May 1990.

Sewage Treatment Plant, Keshopur :—On the mobilisation advance of Rs. 108 lakhs paid to the National Buildings Construction Corporation (NBCC), interest was charged at 10 per cent per annum as against 18 per cent charged from other contractors. This had resulted in a short realisation of Rs. 29.59 lakhs. Interest free advances were also paid during November 1988 and December 1989 though there was no such provision in the agreement. At the rate of 18 per cent per annum a sum of Rs. 40.81 lakhs would be recoverable as interest.

Against the stipulated period of 24 months, the NBCC had taken 90 months to complete the work. The recovery of penalty of Rs. 108 lakhs levied in September 1988 for the delay in completion of the work was deferred in November 1988. The recovery had not been effected.

Sewage Treatment Plant, Rithala :—The delay of three months in the finalisation of tenders had resulted in an extra expenditure of Rs. 5.18 lakhs to the Undertaking due to escalation of cost.

The delay to approve design/drawings by the department necessitated extension of contract upto August 1989 resulting in an extra expenditure of Rs. 21.89 lakhs due to payment of cost escalation.

One digester steel dome damaged in an accident in May 1989 was yet to be rebuilt by the contractor (June 1990). A sum of Rs. 4.48 lakhs being the estimated cost of its re-erection was not however withheld from the contractor's payments.

The plant was due to be completed in October 1987 and had not been commissioned so far (June 1990).

Sewage Treatment Plant, Kondli :—The work was to be completed by June 1989 but it had not been completed (June 1990).

Delay of three months in the award of work had resulted in an extra expenditure of Rs. 2.87 lakhs due to operation of escalation clause.

(Paragraph 6)

VII. Erection of new units at Rajghat Power House of Delhi Electric Supply Undertaking

The Public Investment Board approved the project for erection of two units of 67.5 MW each at Rajghat, in December 1984, at an estimated cost of Rs. 159.43 crores. The cost was revised in November 1989 to Rs. 237.77 crores plus Rs. 25.61 crores as interest charges on investment during construction. The increase was due to change in scope, exchange rate variation, change in duties, escalation etc.

The work was awarded in May 1985 to Bharat Heavy Electricals Limited (BHEL) on a turn-key basis without inviting open bids. At the time of entering into the agreement, only firm commitment for equipment worth Rs. 81.50 crores was made out of an estimated cost of Rs. 159.43 crores. Rates for all other BHEL equipment were settled from time to time after finalisation of specifications.

The first unit was to be commissioned by May 1988 and the second unit by September 1988. They were commissioned in January and September 1990 respectively. Penalty amounting to Rs. 10.71 crores due to delay in completion of the project had not been demanded from BHEL.

The cost of generation of power was assessed at 79 paise per unit in the estimates approved in 1984 but it increased to Rs. 1.24 per unit on the revised estimates of 1989. As the actual production was much

less than the minimum 5350 hours annually, the cost of generation would be considerably higher than Rs. 1.24 per unit. (Paragraph 7)

New Delhi Municipal Committee

VIII. Administrative set-up and financial aspects

Total receipts (plan and non-plan) of New Delhi Municipal Committee (NDMC) were Rs. 158.17 crores for 1989-90 against total disbursement of Rs. 158.06 crores.

The Examiner, Local Fund Accounts Delhi Administration has completed the audit of NDMC accounts upto 1985-86 and the report was submitted to Local Self Government Department of Delhi Administration in July 1990. There were 752 paragraphs of annual audit reports and 7722 paragraphs of the Examiner outstanding at the end of March 1990. 614 paragraphs out of 7722 were stated to have been settled till April 1991.

The Internal Audit Wing had completed (March 1990) only 53 units during the cycle of four years 1986-90 as against 219 units to be completed. There were 2423 paragraphs of Internal Audit reports outstanding at the end of March 1990.

(Paragraph 8)

IX. Delay in award of work

The delay by NDMC to accept the tender before expiry of the extended validity period resulted in recall of tenders and in an extra expenditure of Rs. 4.90 lakhs for a work relating to covering of Kushak Nallah.

(Paragraph 9)

X. Licensing of shops and markets

The Estate Department of NDMC had not established any system of monitoring the records of licenced properties. A sum of Rs. 293.58 lakhs was outstanding from ex-allottees of four markets as on 31 December 1990.

A revenue of Rs. 8.76 lakhs was lost as eight shops in Palika Bhawan remained vacant between May 1984 and June 1989. A revenue of Rs. 2.77 lakhs was lost as nine office spaces, remained vacant in 1986-87 due to unjustified rejection of offers.

An amount of Rs. 5.25 lakhs was lost in five cases of belated payments in which the interest element was not adjusted before adjusting the principal.

(Paragraph 10)

CHAPTER I

MUNICIPAL CORPORATION OF DELHI

Administrative set up and financial aspects

1.1 Introduction

The Municipal Corporation of Delhi (MCD) was established in April 1958 as a civic body under the Delhi Municipal Corporation Act, 1957. For the efficient performance of its functions, the Act provides for the following authorities :—

- (i) The Standing Committee;
- (ii) The Delhi Electric Supply Committee;
- (iii) The Delhi Water Supply and Sewage Disposal Committee;
- (iv) The Commissioner; and
- (v) The General Manager (Electricity).

The Central Government vide their notification dated 6 January 1990 declared the MCD to be incompetent, to be in default and to have abused its powers and superseded the Corporation.

By another notification dated 6 January 1990 the Central Government appointed the Chief Secretary Delhi Administration to exercise the powers and perform the duties conferred and imposed upon the Municipal Corporation of Delhi Under Section 490 of the Delhi Municipal Corporation Act 1957.

1.2 Form of accounts

The Delhi Municipal Corporation (Maintenance of Accounts) Regulations, 1959 prescribe that three wings of the MCD viz. (i) General Wing, (ii) Delhi Electric Supply Undertaking (DESU) and (iii) Delhi Water Supply and Sewage Disposal Undertaking shall maintain separate accounts of all receipts and expenditure in the form approved in respect of budget estimates.

1.3 Submission of accounts

Regulations lay down that at the end of each month a monthly abstract shall be drawn up of every one of the three accounts namely (a) General Wing Accounts (b) Delhi Electric Supply Undertaking Accounts and (c) Delhi Water Supply and Sewage Disposal Undertaking Accounts which, after signature of the Commissioner/General Manager, shall be forwarded to the Municipal Chief Auditor for examination and report as the case may be to the Standing Committee, the Delhi Electric Supply

Committee and Delhi Water Supply and Sewage Disposal Committee. At the end of the year an annual abstract shall be prepared and submitted to respective Standing Committees. The abstract shall be submitted to the Municipal Chief Auditor by 15 June each year.

The Regulations also stipulate that the Municipal Chief Accountant shall prepare, annual appropriation accounts in respect of the three accounts of the MCD. The appropriation accounts shall be checked by the Municipal Chief Auditor who shall submit the same to the Standing Committee for being laid before the Corporation.

The position of monthly, annual and appropriation accounts of various wings of the MCD and their certification by the Municipal Chief Auditor is indicated below :—

(a) General Wing

The submission of monthly abstracts of accounts to the Municipal Chief Auditor for 1987-88 was delayed by seven to eight months, 1988-89 by one to six months and 1989-90 by three to six months. The monthly abstracts upto December 1989 have been certified by the Municipal Chief Auditor.

The annual abstracts for 1987-88 to 1989-90 were sent to the Municipal Chief Auditor in the months detailed as under :

Year	Due date	Month of submission	Period of delay
1987-88	15 June 1988	January 1989	8 months
1988-89	15 June 1989	February 1990	9 months
1989-90	15 June 1990	October 1990	5 months

The months of sending annual appropriation accounts for the last three years to the Municipal Chief Auditor was as under :—

Year	Months of submission
1986-87	August 1990
1987-88	October 1990
1988-89	November 1990

(b) *Delhi Electric Supply Undertaking (DESU)*

The abstracts of monthly accounts upto February 1988 were sent to the Municipal Chief Auditor (September 1989). The abstracts of monthly accounts for three months, March, April and May 1988 were submitted to the Municipal Chief Auditor for examination during a period of 14 months from September 1989 to November 1990. The monthly abstracts for June 1988 onward were still to be sent to Municipal Chief Auditor (March 1991).

The annual accounts for 1988-89 and 1989-90 and the annual appropriation accounts from 1981-82 to 1989-90 had not been submitted by DESU to the Municipal Chief Auditor (December 1990). The annual accounts for 1983-84 and the annual appropriation accounts upto 1980-81 have been certified by the Municipal Chief Auditor.

(c) *Delhi Water Supply and Sewage Disposal Undertaking*

The abstracts of monthly accounts were submitted upto March 1989 to the Municipal Chief Auditor for examination (June 1990).

The annual appropriation accounts and annual abstracts upto the year 1983-84 had been certified by the Municipal Chief Auditor. The annual appropriation accounts and annual abstract for 1984-85 to 1989-90 due for submission to the Municipal Chief Auditor by 15 June of the following year had not been submitted to him till June 1990.

1.4 Financial position

In the absence of audited accounts up-to-date audited figures were not available. The figures on the basis of annual abstracts submitted to the Municipal Chief Auditor, as furnished by the Budget and Finance Officer of MCD were as under :—

(a) *General wing*

(In crores of rupees)

Year	Income			Expenditure		
	Revenue	Plan	Total	Revenue	Plan	Total
1986-87	189.51	83.88	273.39	189.40	81.56	270.96
1987-88	214.81	110.85	325.66	214.89	105.12	320.01
1988-89	231.77	98.69	330.46	233.21	107.11	340.32
1989-90	276.18	115.95	392.13	263.98	115.16	379.14

(b) *Delhi Electric Supply Undertaking*

(In crores of rupees)

Year	Receipts			Expenditure		
	Revenue	Capital	Total	Revenue	Capital	Total
1986-87	328.23	181.47	509.70	432.49	183.55	616.04
1987-88	360.63	170.11	530.74	586.80	181.78	768.58
1988-89	419.63	157.58	577.21	487.01	190.09	677.10
1989-90	522.61	153.80	676.41	755.90	214.31	970.21

The provisional figures for 1986-87 and 1987-88 incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31st

March 1989 No. 4 of 1990 on Municipal Corporation of Delhi had under gone change due to finalisation of accounts as reported by Deputy Finance Officer (DESU).

(c) *Delhi Water Supply and Sewage Disposal Undertaking*

(In crores of rupees)

Year	Revenue Receipts and Expenditure				Loan Account		
	Receipts	Expenditure	Net Surplus(+) Deficit(-)	Opening Balance	Receipts	Expenditure	Closing Balance
1986-87	44.54	88.74	(-)44.20	13.75	46.49	42.21	18.03
1987-88	35.94	86.69	(-)50.75	18.03	55.65	47.34	26.34
1988-89	36.43	99.76	(-)63.33	26.34	63.51	62.80	27.05
1989-90	61.44	61.34	(+)0.10	27.05	78.30	96.40	8.95

1.5 Audit by Municipal Chief Auditor

(a) Section 206(2) of the Delhi Municipal Corporation Act, 1957 lays down that the Audit Report of the Municipal Chief Auditor shall be submitted to the Standing Committee who shall cause it to be laid before the Corporation together with a report stating about the orders passed by them upon such report or statement.

The printed Audit Reports of the Municipal Chief Auditor for 1985-86 and 1986-87 were placed before the Standing Committee in September 1989 and May 1990 respectively. Audit Reports for 1987-88, 1988-89 and 1989-90 are yet to be placed.

(b) The money drawn for which vouchers of payee's receipts were not produced were also large. The details were as follows (January 1991).

(Amount in lakhs of rupees)

Period to which Inspection Report pertains	For want of vouchers		For want of payee's stamped receipts	
	Number of items	Amount	Number of items	Amount
General Wing				
Up to 1979-80	1330	195.48	297	4.75
Between 1980-81 and 1987-88	3315	218.78	104	23.97
Total	4645	414.26	401	28.72
Delhi Electric Supply Undertaking				
Up to 1979-80	1042	3.18	866	6.52
Between 1980-81 and 1987-88	26	0.45	116	0.44
Total	1068	3.63	982	6.96
Delhi Water Supply and Sewage Disposal Undertaking				
Up to 1979-80	242	20.56	26	3.57
Between 1980-81 and 1987-88	11987	886.17	73	16.11
Total	12229	906.73	99	19.68

It may be seen from the above that vouchers for sums drawn more than a decade earlier i.e. 1979-80 had not been made available. Non-availability of vouchers is fraught with serious risk of misuse or misappropriation of funds.

1.6 Internal Audit

In respect of General Wing, during the cycle of four years 1986-90, only 1200 units against 2747 units had been audited by Internal Audit. 3070 inspection reports, comprising 23381 paragraphs involving Rs. 15.87 crores, were stated to be outstanding as on 31 October 1990.

In the case of Delhi Water Supply and Sewage Disposal Undertaking, against 401 units required to be audited during the cycle of four years 1985-89, only 139 units had been audited by Internal Audit.

Reason for the arrears was stated to be paucity of staff in Internal Audit Wing.

1.7 Annual administration report

Section 501 of the Delhi Municipal Corporation Act, 1957 lays down that detailed report of the Municipal Corporation of Delhi for the preceding year may be prepared by the Commissioner and the Corporation may consider and forward it to the Central Government with its resolution thereon if any, as soon as may be after the 1st day of April in every year and not later than such date as fixed by Central Government in this behalf. Copies of these reports should also be kept for sale at the Municipal Office.

Information in regard to the dates on which the annual administration reports for 1985-86 to 1989-90 were prepared by the Commissioner, dates on which these were considered by the Corporation and were sent to the Central Government was called for by Audit in June 1990 but no reply was received (December 1990).

The matter was referred to the Ministry of Home Affairs, Delhi Administration and Municipal Corporation of Delhi in February 1991; replies have not been received (April 1991).

2. Delhi Fire Service

2.1 Introduction

Under the Delhi Municipal Corporation Act, 1957 maintenance of fire brigade is an obligatory function of the Corporation. Delhi Fire Service (DFS) has been entrusted with the responsibility to protect and safeguard the lives and property of the people of Delhi against fires or any emergency.

The enactment of the Delhi Fire Prevention and Fire Safety Act 1986 and the rules made thereunder in 1987 enjoined the DFS to ensure that there are adequate fire prevention arrangements in the buildings.

2.2 Scope of Audit

The accounts/records of DFS headquarters, various fire stations, fire prevention wing, stores, workshop etc. for the years 1985-86 to 1989-90 maintained by DFS were test checked by Audit during April to July 1990.

2.3 Organisational set-up

Chief Fire Officer is the executive incharge of the DFS and functions under the administrative control of Deputy Commissioner (Water) in the General Wing. The headquarter of the DFS is at Connaught Lane, New Delhi.

DFS has 23 fire stations at various places, a training centre at Moti Nagar and a vehicle maintenance and repair workshop at Connaught Lane.

2.4 Highlights

—The enactment of the Delhi Fire Prevention and Fire Safety Act, 1986 and the rules made thereunder in 1987 enjoined the DFS to ensure that there are adequate fire prevention arrangements in the building.

—The DFS did not utilise a substantial percentage of financial allocation year after year.

—There is no uniformity in the levy of fire tax in the Union Territory of Delhi. The high rise buildings in the NDMC area have not borne any fire tax so far although property in the MCD area had been subject to the levy of fire tax from 1958.

—A demand of Rs. 10.6 crores made by DFS on NDMC had been outstanding as on 31 March 1990.

—The DFS, as in March 1990, had 23 fire stations as against 63 stations considered necessary by the Board of Officers constituted by the Ministry of Home Affairs in 1976. Although construction of 9 fire stations had been approved in 1988, only 4 stations had been added in 1988-89 and funds provided for construction of two rural fire stations in Nazafgarh and Nangloi areas remained unutilised. In spite of an addition of four fire stations in 1988-89, there had been only a marginal

increase in the staff. The average maintenance cost of each fire station had been decreased.

—Grants-in-aid of Rs. 11.83 crores were sanctioned by Government of India during 1986-87 and 1987-88 for setting up new fire stations and equipment. Out of this, a sum of Rs. 7.83 crores was meant for purchase of fire fighting equipment, vehicles etc. against which Rs. 5.82 crores were utilised upto March 1990.

—Though a separate fire prevention wing was recommended in 1976 and approved in 1988 yet it has not been set up so far.

—It has not been possible to increase the training due to limited facilities available at the training centre and to run regular courses due to lack of space, training equipment etc. Establishment of a Regional Training Centre and reduction in working hours from 72 to 48 hours (staff at present work continuously for 72 hours and then take rest for 24 hours), though approved in 1988, no action had been taken. Out of 23 fire stations, staff belonging to 8 stations had no staff quarters.

—A survey made in February 1990 revealed that out of 220 high rise buildings, 157 (pre 1983) buildings had not been provided with the inbuilt fire protection arrangements. No penalty had been imposed.

—Delhi Fire Service had not drawn up any programme for replacement of old and unserviceable vehicles.

—Advances amounting to Rs. 25.25 lakhs given largely to suppliers in 1986-89 for supply of spare parts for vehicles remained unadjusted.

2.5 Financial outlay

The budget allotment, actual expenditure and receipts during the last five years is given below :—

(Rupees in Lakhs)

Year	Allocation	Expenditure	Saving	Percentage of saving to allocation	Receipt of fire tax	Percentage of receipt to expenditure
1985-86	457.91	277.24	180.67	39.45	44.46	16.04
1986-87	357.64	308.58	49.06	13.71	55.06	17.84
1987-88	339.31	263.06	76.25	22.47	81.40	30.94
1988-89	395.31	348.60	46.71	11.81	118.66	34.04
1989-90	397.54	386.69	10.85	2.73	145.91	37.73

It will be observed that, year after year, the DFS had not utilised a substantial percentage of financial allocation. The receipts from fire tax ranged from 16 to 38 percent of expenditure.

2.6 Revision of fire tax

In their orders sanctioning the grants-in-aid of Rs. 11.83 crores issued during 1986-87, the Ministry of Home Affairs laid down a condition that fire

tax be raised to 2 per cent and 10 per cent of the rateable value for the general and the high rise buildings respectively and collected uniformly throughout the Union Territory of Delhi.

The Municipal Corporation of Delhi (MCD) revised the rates of fire tax from 1 April 1990 (for 1990-91).

The maximum rate prescribed was 6 per cent of rateable value for high rise buildings used for non-residential purposes as against 10 per cent suggested by the Ministry of Home Affairs.

Although MCD has raised the fire tax, no fire tax was being levied by New Delhi Municipal Committee (NDMC) in respect of buildings in NDMC area. Thus there is no uniformity of levy of fire tax in the Union Territory of Delhi.

The CFO stated that levy of fire tax throughout the Union Territory of Delhi was not possible without amendments to the Punjab Municipal Act, applicable to the NDMC as there is no provision in the Act to levy fire tax. The contention of CFO did not appear to be correct as sub clause 2 of section 61 of the Act enables NDMC to levy any tax which is not specifically provided under the Act, after obtaining the permission of the Government. NDMC has not approached Delhi Administration or Government of India to enable it to levy fire tax in its area.

The high rise buildings in the NDMC area has thus not borne any charge of fire tax so far although property in MCD area has been subject to the levy of fire tax from 1958.

The Delhi Fire Service came into existence in 1942 upon amalgamation of fire brigades of Delhi Municipal Committee, New Delhi Municipal Committee and the Cantonment Board. At that time the total cost of the maintenance of the fire brigade in Delhi was being proportionately shared by the three organisations. After the Delhi Fire Service was taken over by MCD in 1958, NDMC stopped making proportionate payment towards the cost of maintenance of fire service in NDMC area. A total demand of Rs. 10.6 crores made by DFS on NDMC had been outstanding as on 31 March 1990.

2.7 Modernisation and expansion of Delhi Fire Service

A Board of Officers was constituted by the Ministry of Home Affairs to determine the actual requirements of DFS. The Board in 1976, had recommended establishment of 63 fire stations with response time of three minutes in urban and five minutes in

rural areas. Apart from this, high fire risk areas like industrial units, congested localities, markets, high rise complexes were also given due weightage to determine the needs of fire service. Despite the Board's recommendations in 1976, action was not initiated to implement its recommendations. It was in 1984 the MCD thought to strengthen the fire service due to the incapability of the DFS to handle a number of incidents in October 1984. A long-term as well as a short-term plan was prepared by DFS during 1987-88 which was approved by the Standing Committee of the MCD in May 1988. Long-term plan included opening of 20 fire stations from 1991 to 2001 at the rate of two fire stations per year. Short-term plan included opening of nine fire stations till 1990-91, strengthening of the headquarters and the training centre, setting up of fire prevention wing, and reduction of working hours from 72 to 48 hours by creating additional posts of operational and supervisory staff. The short term plan envisaged a non-recurring expenditure of Rs. 6.68 crores and annual recurring expenditure of Rs. 8.46 crores.

The Delhi Fire Service had been inadequately equipped with only 23 fire stations (March 1991) as against 63 recommended in 1976 by a Board of Officers set up by the Ministry of Home Affairs. Although four new fire stations were added in 1988-89, the increase in staff as well as maintenance expenditure was insignificant and the average manpower position per station decreased in subsequent years. The average cost of maintenance per station was also on the decrease in 1986-87, 1987-88 and 1988-89 in comparison to the maintenance cost for 1985-86. Total number of fire tenders during 1986-87 and 1987-88 was 76.

Ministry of Home Affairs, on a request made by the MCD, sanctioned grants-in-aid of Rs. 11.83 crores for Delhi Fire Service in 1986-87 (Rs. 5 crores) and 1987-88 (Rs. 6.83 crores) for five additional fire stations with staff quarters, conversion of temporary fire stations into permanent stations, construction of underground static water tanks and purchase of fire fighting equipment and appliances. Out of this, a sum of Rs. 4 crores was placed at the disposal of the Engineering Department for construction of five additional fire stations with staff quarters and underground static water tank. The total expenditure incurred up to March 1990 on construction of these structures was Rs. 3.66 crores. Balance grant of Rs. 0.34 crore was left unutilised.

Out of the balance grants-in-aid of Rs. 7.83 crores, meant for purchase of fire fighting equipment and appliances, an expenditure of Rs. 5.82 crores had

been incurred upto March 1990 and balance Rs. 2.01 crores remained unutilised. It was stated by the MCD in October 1990 that an order for purchase of a hydraulic platform of Rs. 1.90 crores had been placed and the grant was likely to be utilised by March 1991.

A provision of Rs. 15 lakhs made by the MCD in 1988-89 for construction of two rural fire stations was stated to have been unutilised due to insufficiency of funds for construction of new fire stations.

2.8 Fire prevention wing

The Board of Officers, constituted by the Ministry of Home Affairs in 1976, recommended for establishment of a separate fire prevention wing in the DFS for enforcement of fire prevention measures in Delhi. The proposal to establish a separate fire prevention wing was approved by the MCD in May 1988 at an estimated recurring expenditure of Rs. 12.94 lakhs per annum and non-recurring expenditure of Rs. 4.65 lakhs.

The wing has not yet been established in DFS (October 1990) and it was stated by the DFS that these items of work at present are attended to by members of the operational staff.

2.9 Training centre

One of the proposals included in the short term plan of DFS under the expansion scheme was strengthening of the training centre by raising its status to that of a Regional Training Centre with introduction of new courses. To make the training centre more effective it was felt that it must be properly equipped and manned by experienced and competent faculty capable of imparting training to the fire service personnel. To meet this contingency a non-recurring expenditure of Rs. 40 lakhs and recurring expenditure of Rs. 13.15 lakhs were estimated and got approved by the MCD in May 1988.

It was observed that staff sanctioned by the MCD in May 1988 had not been provided and courses on breathing apparatus set, first aid, fire fighting and some refresher courses were conducted. It was stated by the MCD in October 1990 that it had not been possible to increase the courses due to the limited facilities available at the training centre.

2.10 Duty hours and staff quarters

Staff in Delhi Fire Service work continuously for 72 hours and then take rest for 24 hours. A resolution was passed by the MCD in 1988, as recommended by the Board of Officers, to reduce the duty hours of the operational staff from 72 to 48 hours with a

view to bring improvement and efficiency in the DFS. To implement this decision, about 332 more posts were to be created with an annual expenditure of Rs. 75.34 lakhs. However, no additional posts were created (June 1990).

It was observed that against operational staff strength of 1084, the number of staff quarters available with the DFS was 418. Out of 23 fire stations, staff belonging to 8 stations had no staff quarters. It was stated by the MCD, in October 1990, that action was under process to have more number of staff quarters near the fire stations. Non-availability of staff quarters to the operational staff at fire stations would affect the efficiency of Delhi Fire Service as the main criteria was reduction in response time to attend fire call for effective control over fire accidents.

2.11 Non-levy of penalty

Under the Delhi Fire Prevention and Fire Safety Act 1986 the CFO or officers are authorised to enter and inspect buildings or premises to ascertain the adequacy or any contravention of fire prevention and fire safety measures. In case of any inadequacy the CFO is authorised to issue a notice to the owner or occupier of such building or premises with a direction to remove the deficiency in fire safety measures within a stipulated period and the expenses incurred by the CFO for compliance of fire prevention and safety measures are recoverable from the owner or occupier.

Whosoever contravenes the provisions of the Act, is liable to be punished with imprisonment for a term which may extend to six months or with fine up to Rs. 50,000 or with both and where the offence is continued, with a further fine which may extend to Rs. 3,000 for every day after the first notice during which such offence continues.

The records of DFS showed that out of 220 high rise buildings, 194 buildings constructed prior to 1983 had not been provided with the inbuilt fire protection arrangements in respect of which notices had been issued in June 1987. A survey of these buildings carried out by the DFS in November 1987 showed that 186 buildings were found not adequately protected from fire safety and further surveys made in May 1988, March 1989 and February 1990 revealed that 157 buildings (Government—79, private—78) out of 220 buildings still had not adopted any effective inbuilt fire safety arrangements. The DFS had not levied any penalty on the defaulters (July 1990).

It was stated by the MCD, in October 1990, that power to impose penalty did not vest in the CFO but vests with a magistrate as per the provisions of the

Delhi Fire Prevention and Fire Safety Act, 1986. However, no action had been initiated to implement the provisions of the Act.

2.12 Vehicles

The Delhi Fire Service as on 31 March 1990 had got a fleet strength of 242 vehicles inclusive of 79 fire tenders, 35 pumps of different kinds, 14 vehicles under Centralised Accident Trauma Service (these 14 vehicles are borne on the accounts of the MCD but are under use by DFS), jeeps, motor cycles etc. Out of these 242, 46 vehicles were declared condemned in November 1989 by the Condemnation Board. Besides this, 36 other vehicles were also stated to be un-serviceable due to wear and tear by which only 160 vehicles remained in working condition. Condemnation of 36 un-serviceable vehicles was stated under process (October 1990).

History sheets of the vehicles with details of their cost, date of purchase, KMs/hours run, cost of repairs etc. were not maintained by DFS and in the absence of these documents/details, their performance could not be reviewed. It was stated by the MCD in October 1990 that maintenance of history sheets was under introduction.

The normal life of water tenders, water bowsers, carbon dioxide foam tenders, turn-table ladders etc. as recommended by the Board of Officers was 5000 hours stationary operation or 10 years whichever was earlier. Out of 182 water tenders etc., 115 are over six years old against expected life of 10 years. An agewise analysis in respect of water tenders revealed that out of the 79 water tenders, 21 have already completed their expected life.

The DFS had not drawn up any programme for replacement of the old and un-serviceable vehicles.

2.13 Outstanding advances

Test check of records revealed that advances of Rs. 25.25 lakhs made by Delhi Fire Service to various suppliers were still due for adjustment from 1986-87 to 1988-89 as indicated below :

Year	Amount of advance (Rupees in lakhs)
1986-87	2.54
1987-88	20.43
1988-89	2.28
Total	25.25

These advances had largely been paid for purchase of spare parts needed for maintenance of the vehicles.

DFS should take immediate action to adjust/recover the outstanding advances.

The matter was referred to the Ministry of Home Affairs, Delhi Administration and the Commissioner MCD in September 1990. No reply has been received (March 1991).

3. Construction of Sanjay Gandhi Transport Nagar

3.1 Introduction

A proposal for setting up a transport nagar at Wazirabad was mooted in 1976 with a view to de-congest the city by curtailing the movement of trucks and by shifting workshops and godowns to the outskirts of the city.

The Municipal Corporation of Delhi (MCD) was asked by Delhi Administration in 1981 to construct a transport nagar named Sanjay Gandhi Transport Nagar at Samepur Badli on no profit no loss basis on self financing pattern.

A project report was submitted in September 1982 by the Commissioner which was approved by Delhi Administration in October 1983. The project was expected to be completed within two years. The MCD had incurred, up to March 1990, an expenditure of Rs. 1222.92 lakhs including cost of land on the project. Eighty per cent of the work has been completed by June 1990.

3.2 Scope of Audit

The review was based on a test check made from April to June 1990 of the records relating to the acquisition of land, development, allotment of plots and recoveries from the allottees maintained in the Remunerative Project Cell (RP Cell) of the MCD.

3.3 Organisational set up

The allotment of plots at the transport nagar was dealt with by the Remunerative Project Cell headed by a Deputy Commissioner under the overall control of the Commissioner. The acquisition of land was dealt with by the Land and Estate Department of the MCD while development was carried out by the Engineering Divisions headed by Executive Engineers under the overall charge of Engineer-in-chief.

3.4 Highlights

Delhi Administration entrusted the construction of a transport nagar at Samepur Badli to the MCD with a condition that it would be executed on no profit no loss basis and the funds were to be recovered in advance from the beneficiaries.

—The schedule of recoveries of the cost of the project in advance, in instalments from the allottees, laid down in the project report, was not adhered to. This resulted in utilisation of the funds of the MCD.

—Cost of land and its development upto March 1990 was Rs. 1222.92 lakhs. By dividing the same by the total area of the plots, the rate of developed plot would be Rs. 592 per square metre. However recovery at a rate of Rs. 500 per square metre had been fixed in January 1987 on the basis of the then estimated cost. This has resulted in a loss of Rs. 191.57 lakhs upto March 1990. This would increase further when the remaining 20 per cent of works are executed. The rate of recovery was reduced in November 1987 from Rs. 500 to Rs. 425 per square metre by assuming that the money realised by sale of cinema and other commercial sites would be set off against the cost of the project. This has resulted in a further loss of Rs. 154.70 lakhs. Thus the total loss suffered works out of Rs. 346.27 lakhs.

—Departmental charges at a rate of 13.75 per cent of the project cost were not included in the cost computation. This had resulted in non recovery of Rs. 107.29 lakhs upto March 1990.

—Ground rent at 2.5 per cent per annum payable by the MCD to DDA had neither been included in the cost of the project to arrive at the rate of the plotted area nor recovered separately from the allottees. This had resulted in loss of Rs. 47.03 lakhs to the MCD.

—The delay to pay the cost of land to DDA attracts an interest liability of 18 per cent per annum. The interest on the cost of land worked out to Rs. 550.13 lakhs upto March 1990.

—The MCD has incurred a loss of Rs. 1050.72 lakhs on the development of the transport nagar which would be borne by its general revenues.

—The difference of 4.59 acres of land in the records maintained by Land and Estate Department and Engineering Department had not been reconciled.

3.5 Approval of project

A proposal for setting up a transport nagar at Wazirabad was mooted in 1976. Applications from the transporters for allotment of plots had been invited in 1976. As many as 1526 persons had applied for registration and deposited Rs. 78.34 lakhs as initial payment. The project did not take off after incurring an expenditure of Rs. 9 lakhs on its development due to objections from Air Force authorities.

Delhi Administration revived the project in 1980 and decided that MCD should construct the transport nagar at Samepur Badli. The Commissioner, MCD, represented (April 1981) that it was neither the function of the MCD to provide the transport nagar nor did the MCD finances permitted to undertake such a venture. He suggested that the project may be allotted to DDA.

The MCD was however asked in 1981 by Delhi Administration to execute the project on no profit no loss basis on self financing pattern. The funds were required to be recovered in advance from the beneficiaries.

The project was approved by Delhi Administration in October 1983 and was to be completed within two years. However, about 80 per cent of the work has been completed by June 1990.

3.6 Method of payment

The project report laid down that since the project was on self financing pattern the funds were required to be received from the allottees in advance in instalments for the development of the area. The project report further stated that the entire cost was recoverable within one year from the start of development work and interest at the rate prescribed by the DDA for similar schemes would be charged for payment of instalments made after the dates fixed by the MCD.

It was noticed by Audit that the recoveries towards cost had been deferred substantially resulting in blocking of funds of the MCD.

3.7 Loss due to fixation of rates on estimated cost

The project report indicated the items to be included in the cost of the project which was recoverable from the allottees. The following items were to be taken into account :—

- (i) cost of acquisition of land;
- (ii) cost of development of land including departmental charges on the total estimate;
- (iii) prevailing rate of interest on the price paid for acquisition of land upto the date of sale/allotment of plot in case DDA agrees to charge only the cost of acquisition; and
- (iv) establishment expenditure including the office of the project manager and the staff as may be calculated by RP Cell from time to time.

After the project has been completed the day to day running cost and maintenance etc. would also be recovered from the allottees as per DDA norms.

The project report clarified that the rate per square metre of the plotted area was to be determined by dividing the cost as worked out by the total area of the scheme minus the area earmarked for common facilities.

The cost of land and development upto March 1990 was Rs. 1222.92 lakhs. By dividing the same with the total area of the plots, the rate worked out to Rs. 592 per square metre of plotted area. In January 1987, cost of land including its development was estimated and divided by the area of the plots to be developed. The area of common utilities and services was excluded so as to arrive at the estimated rate of developed plots. In January 1987, at the time of fixation of cost of plotted area at Rs. 500 per square metre, total plotted area was assessed at 2,79,500 square metres and the total cost was estimated as Rs. 1427.52 lakhs. However, it was noticed by Audit that the total plotted area developed was only 2,06,270 square metres and the expenditure incurred upto March 1990 was Rs. 1222.92 lakhs. By fixing a final rate at Rs. 500 per square metre of plotted area on the basis of the cost estimated in 1987 ignoring the element of escalation of cost, the MCD suffered a loss of Rs. 191.57 lakhs upto March, 1990. As 20 per cent of the work was still to be executed (June 1990) the loss may increase considerably when the expenditure on remaining work is incurred.

In November 1987, by a resolution, MCD reduced the rate of the developed plot from Rs. 500 to Rs. 425 per square metre. The resolution further noted that while computing the cost of the project in January 1987 the MCD has not taken into account the premium realised from the sale of commercial plots like cinemas, hotels etc. and that the premium so realised would be taken as the reduction of cost of the project. It was noticed in Audit that the sale proceeds of such plots was to be utilised for the maintenance of the project. The reduction of Rs. 75 per square metre amounted to a further loss of Rs. 154.70 lakhs on allotment of 2,06,270 square metres. The reduction was in contravention of the approved project report which envisaged full recovery of cost.

Thus upto March 1990 the MCD has suffered a loss of Rs. 346.27 lakhs.

3.8 Non-recovery of departmental charges

The regular staff, labour and management of engineering department of the MCD were deployed on the execution of the project. Such costs are recovered as establishment and departmental charges

on a percentage basis. The project report had clearly laid down that departmental charges on a percentage basis would be taken into account for arriving at the total cost recoverable from the allottees. This was not done. The recoverable departmental charges at 13.75 per cent worked out to Rs. 107.29 lakhs upto March 1990.

3.9 Non-inclusion of ground rent

Ground rent at 2.5 per cent per annum payable by the MCD to DDA from January 1985 to March 1989 had not been included in the calculations at the time of fixation of the rates. The ground rent payable has not been recovered separately. There is a loss of Rs. 47.03 lakhs to MCD on this account.

3.10 Interest on cost of land

At a rate of Rs. 3.00 lakhs per acre, cost of 164.71 acres of land taken over during 1983-85 worked out to Rs. 4.94 crores. It was observed by Audit that the cost had not been paid (February 1991). A sum of Rs. 550.13 lakhs would be due upto March 1990, if DDA insists on payment of interest at 18 per cent per annum.

3.11 Liability borne by the MCD

As explained above, MCD had incurred a loss of Rs. 1050.72 lakhs on the development of the transport nagar which would be borne by its general revenues.

	<i>Rupees in lakhs</i>
Loss due to fixation of cost of the plotted area at Rs. 500 per square metre	191.57
Loss due to reduction in rates from Rs. 500 to Rs. 425	154.70
Loss due to non-inclusion of supervision charges	107.29
Ground rent	47.03
Interest on the cost of land	550.13
Total	1050.72

3.12 Discrepancy in the quantum of land taken over from DDA

Land and Estate Department is responsible for maintaining records of property. In the property register maintained for the purpose there were no entries of land acquired for the project. The Department, however, stated that 164.71 acres of land were taken over, while Engineering Department stat-

ed that the development was carried out on 160.12 acres of land. Thus there was a difference of 4.59 acres of land which could not be reconciled by these two Departments.

These observations were referred to the Ministry of Home Affairs, Delhi Administration, in September 1990; replies have not been received (March 1991).

4. Commercial shops and plots

4.1 Introduction

In order to augment its revenue resources Municipal Corporation of Delhi (MCD) has constructed commercial units. There were 208 kiosks, 35 shops, 16 stalls, 17 office units, 4 canteens, 2 tourist camping sites, 2 open air restaurant sites and 16 commercial sites under its jurisdiction. These are managed by the Remunerative Project Cell which was created in 1968. The commercial units are allotted on licence fee basis by public auction. In addition, the cell develops commercial plots for sale by auction on perpetual lease hold basis.

4.2 Scope of Audit

The documents in respect of auction, allotment and records regarding recovery of licence fee for the period from 1986-87 to 1989-90 were test checked by Audit during April to July 1990.

4.3 Organisational set-up

The cell is headed by the Commissioner MCD who is assisted by a Deputy Commissioner (Taxes), a Director (Planning and Monitoring) and an Assistant Commissioner.

4.4 Highlights

According to the resolution of March 1987, renewal of licence could be granted only on payment of enhanced licence fee. However, licences of 15 office units located at Municipal Market Karolbagh, allotted to four parties, were renewed without recovery of enhanced rate of licence fee. The arrears of enhanced licence fee amounted to Rs. 91.37 lakhs upto March 1990.

Ground rent of Rs. 60.41 lakhs had not been realised in respect of 43 commercial plots sold more than seven years back.

The possession of 27 plots had not been handed over to the allottees despite receipt of full payment during 1983-85. Although lease deeds had been executed for 23 commercial plots during 1983 to 1985, the possession had not been handed over to the lessees so far. In all these cases ground rent had not been received for a number of years after allotment of land.

The department failed to take any penal action on account of unauthorised construction on eight commercial plots.

As per terms of licence, the amounts payable in addition to initial deposits, are to be covered by a bank guarantee. Bank guarantees in respect of 22 car/scooter parking sites auctioned during 1986-89 were not, however, obtained from the contractors.

In contravention of the prescribed conditions, the possession of a plot was handed over without receipt of interest of Rs. 5.18 lakhs after obtaining a personal undertaking instead of a bank guarantee. A sum of Rs. 10.77 lakhs including interest remained unrecovered upto June 1990.

The possession of a cinema plot was given without receipt of full interest on the delayed payments. The bank guarantee obtained was for an amount lesser than the amount due. Arrears of interest of Rs. 8.20 lakhs remained unrecovered. Ground rent of Rs. 13.20 lakhs was also due from the lessee.

In many cases the extra time for the payment of premium had been given on payment of interest for the extended period. The liability of interest was not discharged before payment was adjusted towards the principal. Due to incorrect procedure adopted, there was a short recovery of Rs. 2.47 lakhs.

Demand for ground rent amounting to Rs. 60.41 lakhs was not raised in 46 cases though the allotments were made seven years back. No provision of interest or penalty on delayed payment of ground rent was incorporated in the terms and conditions for sale of commercial plots.

In respect of a plot in a community centre at Ranjit Nagar, leased for the construction of a cinema hall, ground rent due was short realised by Rs. 7.55 lakhs.

4.5 Non-recovery of enhanced licence fee

Commercial units had been allotted on licence fee basis for a period of five years by public auction. The notices of dispossession were to be issued to the licencees at the expiry of the period of licence. Many licencees, reluctant to vacate the premises, obtained stay orders from the various courts. The MCD resolved in March 1987 to extend the period of licence to the existing licencees up to a further period of five years. This was subject to a payment of an enhanced rate of 100 per cent of licence fee for the unauthorised period of occupation in lump-sum and payment of an enhanced licence fee at the rate of 40 per cent of twice the licence fee for renewal after five years. The period of five years extension was to count from the date of expiry of the last current licence period.

A test check of records by Audit revealed that licence of 15 office units situated in the Municipal Market in Karol Bagh, allotted to four parties, expired in 1981-82 and was extended for a period of five years without collection of the enhanced licence fee in lump-sum for the period of unauthorised occupation. The licence was renewed for another term of five years without enforcing the enhanced rates as decided by MCD in 1987. They are still paying the licence fee at the old rate of 1977-78. The arrears on account of enhanced licence fee amounted to Rs. 91.37 lakhs upto March 1990. The licence deeds in respect of these units had also not been executed.

The Assistant Commissioner had admitted the facts, in May 1990, and stated that these units had been under the occupation of Government agencies or public sector banks.

4.6 Failure to demand ground rent

The MCD auctioned 169 commercial plots under various schemes on perpetual leasehold basis during 1981-82 to 1986-87. According to the terms and conditions, the purchaser was required to submit the lease deed in the prescribed form duly stamped by the Collector of Stamps within a period of two months from the date of payment of full premium. The purchasers of leasehold rights were also required to pay ground rent at annual rate of one rupee per plot for first three years and thereafter at the rate of 2.5 per cent of the premium per annum.

It was noticed by Audit that the lease deeds in respect of 43 commercial plots sold more than seven years ago had not been executed. In none of these cases the ground rent for second and subsequent years had been demanded although there is no condition that ground rent would become payable only after the lease deeds had been executed. The ground rent due in these cases for second and subsequent years amounting to Rs. 60.41 lakhs, calculated from the date of handing over of possession to the lessees had not been recovered (June 1990).

According to terms of allotment, ground rent was to be received in advance with the premium and it was chargeable from the date of confirmation of allotment of land and not from any subsequent date of handing over possession or from the date of execution of lease deed. In 27 commercial plots neither lease deeds had been executed nor possession of these plots handed over though full payment alongwith the interest had been received during 1983-85. Further, lease deeds had been executed during 1982-85 in respect of 23 commercial plots but possession of these plots

had not been handed over so far. In all these cases, no ground rent had been recovered for a number of years after allotment of land.

4.7 Unauthorised construction

Building plans of a commercial plot were sanctioned, in April 1985, for construction of a multi-storeyed complex in Naniwala Bagh. A mezzanine floor was permitted with 25 per cent covered area. However, the complete portion of the mezzanine floor was covered. Such covered floor cannot be compounded under the building bye-laws. When supply of electricity to the complex was cut by DESU allegedly at the instance of MCD the owner/builder of the complex represented, in May 1986 stating that there were seven other such multistoreyed buildings in the vicinity where full floors had been constructed against the sanctioned 25 per cent mezzanine floors. The investigation by Executive Engineer, in June 1986, revealed that there were seven such buildings where full coverage had been done at mezzanine floor and completion certificates had been issued without taking any penal action against the defaulters.

No action has been taken by the RP Cell on the report of Executive Engineer.

4.8 Bank guarantee

Under the terms and conditions for allotment of car parking sites, the licensee has to pay 25 per cent of the fee in cash and furnish a bank guarantee for balance 75 per cent before possession was handed over.

A test check by Audit indicated that bank guarantees were not obtained from the contractors in respect of six car parking sites during 1986-87, twelve car parking sites in 1987-88 and four car parking sites in 1988-89.

4.9 Non levy of interest on delayed payments

A commercial plot at Naniwala Bagh was disposed off on perpetual leasehold basis in January 1982 for Rs. 38.01 lakhs. The possession was handed over in December 1984 without receiving full interest of Rs. 5.18 lakhs with a condition that the firm should give a legally enforceable undertaking. The nature of legally enforceable undertaking was however left undecided.

The bid had been made in the name of the firm. The undertaking was however, given by one individual on behalf of the firm. But there was no mention in the documents about the capacity in which he had signed them as neither a resolution of the firm nor

a power of attorney authorising him to sign the undertaking on behalf of the firm was on record. The file did not indicate that the undertaking has been vetted by the legal cell of MCD to ensure that the undertaking was legally enforceable.

The payment of interest of Rs. 5.18 lakhs had not been made by the firm though the stipulated period of undertaking had expired in December 1987. Interest at the rate of 18 per cent on this amount worked out to Rs. 5.59 lakhs for the period from June 1983 to May 1989 has not been levied. Thus a sum of Rs. 10.77 lakhs was still outstanding.

Had a bank guarantee been obtained, the outstanding sum could have been recovered. No action to recover the dues had been initiated (June 1990).

4.10 Non recovery of interest

The highest tendered premium of Rs. 65.01 lakhs was accepted in February 1979 for a cinema plot at the crossing of the Najafgarh Road, New Delhi. The lessee formed a private limited company and requested for substitution of the company as the lessee and also sought an extension of six months time for payment of the balance amount due. As per the terms and conditions for the sale of commercial plot the premium was payable within 14 months, MCD extended the period by another three months at 18 per cent interest per annum as a special case.

The possession of the plot was given to the lessee in January 1982 when a sum of Rs. 11.34 lakhs on account of interest upto December 1980 was due from the lessee. A bank guarantee for Rs. 11.50 lakhs towards payment of interest valid upto 29 August 1987 was obtained at the time of execution of lease deed in August 1985.

The bank guarantee was encashed in November 1987 and adjusted against interest which had by then increased to Rs. 19.70 lakhs. Thus a balance of Rs. 8.20 lakhs was yet to be recovered (June 1990).

Under the terms and conditions, ground rent at one rupee per plot was payable for the first three years and thereafter at 2.5 per cent per annum of the premium amount. The arrears of ground rent of Rs. 13.20 lakhs for the period from February 1979 to February 1990 was due for which no demand had been raised (June 1990).

4.11 Incorrect computation of interest

In accordance with the terms and conditions for sale of commercial plots by auction the purchaser was required to pay to the MCD the balance bid amount in cash or by bank draft within two months of the receipt of the acceptance letter. The extension

of period of payment upto six months can be granted with an interest at 15 per cent per annum and upto a maximum period of one year with an interest at 18 per cent per annum.

Payments made for meeting the liability of principal as well as interest, should be accounted for first against the amount due towards interest and the balance adjusted towards payment of principal. In following three cases, payments received have been adjusted against the payment of principal. Due to the incorrect procedure adopted there had been a short recovery of interest of Rs. 2.47 lakhs :—

- (a) In the case of a plot at Desh Bandhu Gupta Road auctioned in February 1987, balance premium of Rs. 84.76 lakhs was paid in instalments. Interest amounting to Rs. 5.24 lakhs calculated by the department on the belated payment (i.e. last instalment made on 18 December 1987) was paid by the firm in January 1988. Since the payments had been adjusted first towards the outstanding premium, it had resulted in a short recovery of interest of Rs. 0.27 lakh.
- (b) Similarly, in respect of a plot at Ajmal Khan Road auctioned for Rs. 187 lakhs in February 1987 balance premium was paid in instalment and interest was calculated as Rs. 20.54 lakhs for belated payments while it worked out to Rs. 21.02 lakhs. There was thus a short recovery of interest of Rs. 0.48 lakh.
- (c) In the case of a cinema plot in West Delhi disposed off in 1979 the balance amount of Rs. 48.76 lakhs was paid in instalments. Interest on the belated payments was worked out to Rs. 22.45 lakhs while it should have been Rs. 24.16 lakhs. Out of this, a sum of Rs. 8.20 lakhs was still outstanding from the lessee towards interest. Thus interest to the extent of Rs. 1.72 lakhs was short recovered.

4.12 Interest on delayed payments of ground rent

As per the terms and conditions for sale of commercial plots, the purchaser of the leasehold rights in the plot was required to pay ground rent at an annual rate of one rupee per plot per annum for the first three years and thereafter at the rate of 2.5 per cent per annum of the premium of plot in advance. It was noticed in Audit that ground rent amounting to Rs. 60.41 lakhs had not been recovered in 43 cases for the reason that these cases had not been transferred to Land and Estates Department because

of non-execution of lease deeds. The Land and Estates Department which has to watch the recovery of ground rent did not take any action on the basis of allotment letters.

The ground rent was recoverable from the dates of confirmation of allotment. Failure to coordinate the movement of cases or to prescribe a well defined system of recovery of ground rent by Land and Estates Department on the basis of allotment has led to failure to raise demands for recovery of ground rent in 43 cases auctioned seven or eight years back.

It was further noticed by Audit that neither interest nor any penalty was levied on delayed payments of ground rent as there was no provision of interest or penalty on delayed payment of ground rent in the terms and conditions for the sale of commercial plots.

4.13 Short realisation of ground rent on a cinema plot

A plot of 3162 square metres in community centre at Ranjit Nagar was auctioned on perpetual lease hold basis in 1979 for the construction of a cinema hall. Despite lapse of more than ten years, lease deed had not been executed by the lessee (June 1990). The purchaser was also required to pay ground rent at an annual rate of one rupee per plot for the first three years and thereafter at 2.5 per cent of the amount of premium (Rs. 54.55 lakhs). It was however, noticed that an ad-hoc payment of Rs. 2.00 lakhs on account of ground rent was made by the purchaser in March 1990 as against the arrear of Rs. 9.55 lakhs. This resulted in short realization of ground rent of Rs. 7.55 lakhs.

These cases were referred to the Ministry of Home Affairs, New Delhi, Delhi Administration and Municipal Corporation of Delhi in November 1990, replies have not been received (March 1991).

5. Panchayati Raj Sammelan

5.1 The Government of India, Ministry of Agriculture, Department of Rural Development decided on 28 December 1988 to hold in New Delhi a sammelan of representatives of panchayati raj institutions and municipal bodies from northern and western States of India from 25 to 29 January 1989 which was extended by an announcement upto 31 January 1989. The Ministry in their letter dated 2 January 1989 requested the Municipal Corporation of Delhi (MCD) to make arrangements for accommodation, food, tea, sanitation, drinking and bathing water for about 8000 persons at Burari, a village in North Delhi. In addition, transportation between the camp site and the venue of the sammelan and the Republic day and Beating Retreat functions was also required to be made by the MCD.

5.2 Grants-in-aid for the sammelan

MCD submitted in January 1989 an estimate of Rs. 104.78 lakhs to the Ministry. After the event, MCD submitted in July 1989 a statement of expenditure on the basis of rates accepted for various services and claimed a sum of Rs. 235.45 lakhs.

The departmental charges are levied as percentage of expenditure for use of staff and infrastructure of MCD utilised for the sammelan. The claim by MCD included a sum of Rs. 45.19 lakhs as departmental charges. The Ministry, however, did not pay the departmental charges and accepted other claims of Rs. 190.26 lakhs and paid the sums as grant-in-aid to MCD.

The MCD stated in November 1990 that they have taken up the reimbursement of establishment cost with the Government of India.

5.3 Utilisation of grants-in-aid

The estimates of January 1989 and claim submitted in July 1989 by the MCD are given below :—

	(Rupees in lakhs)	
	Estimates	Claimed from Government of India
Hiring of tents and furniture	17.70	60.00
Hiring of buses	4.94	7.84
Catering arrangements	39.55	37.00
Steel sign boards	1.03	12.26
Construction of temporary latrines and bath rooms	1.94	17.55
Temporary water supply	3.40	15.95
Roads and pathways	2.83	9.49
Other miscellaneous expenditure	0.96	1.15
Payments to other departments of MCD	12.32	29.02
Total	84.67	190.26
Departmental charges at 23.75 percent	20.11	45.19
Grand total	104.78	235.45

It will be seen that the expenditure was many times the estimate in respect of hiring of tents and furniture, sign boards, water supply, roads and pathways and miscellaneous expenditure.

The Executive Engineer stated, in February 1990, that as per the original programme, no arrangements were required to be made at Indira Gandhi Indoor

Stadium. But as per a later decision, arrangements for tea, coffee, snacks, lunch, tented dining halls, temporary latrines and urinals, drinking water etc. had to be made at the stadium. Similarly many other additional arrangements had to be made at Burari camping site. The increase in expenditure was also due to extension of the sammelan for two days.

A final account of the expenses incurred on the event had not been compiled by the MCD (March 1991). In the absence of which actual expenditure could not be ascertained.

5.4 Number of participants

The Ministry had advised MCD to make arrangements for 8000 delegates. The claims for services were to be arrived at by multiplying the number of delegates by number of days for which services were rendered and the unit rate of the service. In the absence of both the number of delegates and the duration of the stay of the delegates, the bills of contractors for various services had not been verified by the MCD.

As payments for services and catering had been contracted on per diem per delegate basis it was incumbent upon the paying officers to evolve a mechanism which could have ensured the reasonableness of the claims of the contractors.

The MCD stated in November 1990 that the commitment between the MCD and the contractor for making arrangements for 8000 delegates on instructions from the Ministry were binding between the three parties. However, the MCD did not clarify how they ensured the correctness of the claims of the contractors.

5.5 Call of quotations

MCD issued on 2 January 1989 limited circulation notices calling for quotations for various services including catering, tentage, transportation etc.

The rates were decided on the basis of negotiations with many parties including those who had not made original bids and without ascertaining competitive market rates separately. In respect of catering, supply orders were placed on five parties three of whom had not responded to the original notice.

The MCD stated in November 1990 that call of regular tenders was not possible keeping in view the emergent nature of work and the rates awarded were reasonable on the basis of the then prevailing market rates.

5.6 Advances/part payments

The following sums were paid as advance to various departments of MCD :—

	Amount (Rupees in lakhs)
Electrical department	7.91
Water Supply department	1.12
Engineering department	10.00
Conservancy and Sanitation department	3.47
Horticulture department	2.00
Community Services department	0.12
Health department	4.40
Total	29.02

The departments had not submitted details of the works executed by them and advances had not been settled (March 1991). The MCD stated, in November 1990, that accounts were being settled with the departments concerned.

5.7 Sign boards

Against the estimates of Rs. 1.03 lakhs for display of sign boards. Rs. 9.76 lakhs were spent. The MCD had not identified the locations where the sign boards were to be fixed. The bills had been paid without verifying whether the sign boards had actually been erected at the predetermined sites. As the sammelan was for a few days, the necessity of high cost steel sign boards is not clear. Cheaper cloth or other material could have been utilised to serve the purpose adequately.

It was seen during test check by Audit that a contractor had been paid higher rates in respect of 267 sign boards over the rates allowed to another contractor. This had resulted in an excess payment of Rs. 0.64 lakh which was recovered from the contractor in January 1990 when it was pointed out by Audit.

The MCD justified in November 1990 that orders had been issued to ensure that 100 per cent check was carried out by the Executive Engineer before making any payment to the contractor for the sign boards. It also added that prior to the sammelan, there were heavy rains in Delhi and therefore it was decided to use sign boards of mild steel.

5.8 Disposal of salvage material

In addition to the purchase of 135 sintex water storage tanks for Rs. 2.77 lakhs, the MCD incurred an expenditure of Rs. 10.77 lakhs on purchase of

various non-consumable items like M.S. boards, G.I. pipes, sanitary material, bamboos etc. Many of these could have been hired from the market as they were required for a few days only.

These material remained unutilised after the sammelan and the MCD had not decided their use/disposal though a period of more than two years had elapsed after the sammelan.

The MCD stated in November 1990 that these items were essentially required and were therefore purchased. It added that the Ministry had already been requested to collect the salvaged materials including the water storage tanks.

To sum up,

Against an estimate framed in January 1989 for Rs. 104.78 lakhs, the amount claimed from Govern-

ment of India was Rs. 235.45 lakhs. The Government disallowed the claim of departmental charges of Rs. 45.19 lakhs.

The number of persons and number of days for which accommodation, transportation and catering facilities were utilised by the delegates were not available. Therefore, the reasonableness of sums claimed by the contractors could not be vouchsafed.

Advances amounting to Rs. 29.02 lakhs paid to the various departments of the MCD had not yet been settled.

A sum of Rs. 9.76 lakhs had been spent on sign boards. Cheaper materials could have been utilised to serve the purpose.

Salvage material including water storage tanks purchased at Rs. 13.54 lakhs remained unutilised for more than two years.

CHAPTER II

DELHI WATER SUPPLY AND SEWAGE DISPOSAL UNDERTAKING

6. Sewage treatment plants

6.1 Introduction

The sewerage system consists of collection, pumping, treatment and disposal of industrial and residential sewage. It is one of the obligatory functions of the Municipal Corporation of Delhi (MCD) performed through the Delhi Water Supply and Sewage Disposal Undertaking (Undertaking). The construction of sewage treatment plants at Keshopur, Rithala and Kondli was taken up by the Undertaking in 1983-84, 1985-86 and 1987-88 respectively. The plant at Keshopur was completed and commissioned in May 1990 while the other two plants were still under construction (June 1990).

6.2 Scope of Audit

A test check of the records relating to the construction of these sewage treatment plants, and the expenditure incurred thereon upto March 1990 was conducted by Audit in March to May 1990 at the concerned divisions.

6.3 Organisational set-up

The execution of the work was done through Engineering Department of the Undertaking headed by an Engineer-in-chief. Civil work was executed by the Chief Engineer, Construction and Drainage, while the electrical and mechanical work was executed by the Chief Engineer (Electrical and Mechanical).

6.4 Highlights

Sewage treatment plant, Keshopur

— On the mobilisation advance of Rs. 108 lakhs paid to the National Buildings Construction Corporation (NBCC) the interest was charged at 10 per cent per annum as against 18 per cent charged from other contractors. This had resulted in short realisation of Rs. 29.59 lakhs to the Undertaking.

— Interest free advances were also paid during November 1988 and December 1989 though there was no such provision in the agreement. At the rate of 18 per cent per annum a sum of Rs. 40.81 lakhs would be recoverable as interest. Non-recovery of interest resulted in undue benefit to NBCC.

— Against the stipulated period of 24 months, it had taken 90 months to complete the work.

— The recovery of the compensation of Rs. 108 lakhs levied in September 1988 for the delay in completion of the work was deferred in November 1988.

The plant was commissioned in May 1990. However, the recovery has not been effected.

Sewage treatment plant, Rithala

— Price bids were opened in December 1984. Tenders were not finalised within the validity period of 180 days and were finalised only in September 1985. An extra expenditure of Rs. 5.18 lakhs was incurred by the Undertaking due to escalation in the cost attributable to this delay.

— The delay to approve design drawings necessitated extension of contract upto August 1989 resulting in an extra expenditure of Rs. 21.89 lakhs due to escalation in the cost.

— One digester steel dome damaged in an accident in May 1989 was yet to be rebuilt by the contractor (June 1990). A sum of Rs. 4.48 lakhs being the estimated cost of its re-erection was, however, not withheld from the contractor's payments.

The plant was due to be completed in October 1987 and had not been commissioned so far.

Sewage treatment plant, Kondli

— The works were to be completed by two contractors in June 1989 and September 1989 but only 70 and 58 per cent had been completed by February 1990.

— Delay of three months in award of the work had resulted in payment of escalation of Rs. 2.87 lakhs.

6.5 Sewage treatment plant, Keshopur

It was proposed to augment the existing 30 MGD sewage treatment plant at Keshopur by constructing another 40 MGD plant to cater to the needs of the population of West Delhi. Accordingly an estimate for Rs. 800 lakhs was sanctioned by the Commissioner in September 1980. Tenders for construction of 40 MGD plant invited in November 1981 were opened in March 1982 for technical bid and in May 1982 for price bid and after their finalisation, the work was awarded to National Buildings Construction Corporation Limited (NBCC) in February 1983 at a total cost of Rs. 1080.88 lakhs. The lowest quotation of Rs. 1048 lakhs was ignored due to price preference of 10 per cent allowed to NBCC. The work was to be commenced in March 1983 and completed in September 1985. It was intimated by the Executive Engineer (June 1990) that the plant had been completed and commissioned on 15 May 1990. The expenditure incurred upto 31 March 1990 was Rs. 1026.49 lakhs.

Ten per cent mobilisation advance to the tune of Rs. 108 lakhs was paid to NBCC on the basis of a condition attached to their tender despite non-inclusion of such a condition in the notice inviting tenders. Had there been a condition in the tender for payment of mobilisation advance, there would have been scope to receive more competitive rates from other tenderers.

Further, interest at 10 per cent per annum was charged from NBCC as against 18 per cent charged from other contractors engaged on construction of the plants at Rithala and Kondli. This preferential rate had resulted in short realisation of interest to the tune of Rs. 29.59 lakhs to the Undertaking.

The Superintending Engineer (Construction) Drainage-I stated in a note in September 1988 that the slow progress of work by the NMCC was due to its financial problems. He pleaded for grant of advance to NBCC in addition to mobilisation advance. The proposal was accepted by the Undertaking hoping that works would be completed early. Advance payments ranging between Rs. 4 lakhs and Rs. 20 lakhs, were made during November 1988 to December 1989. The recoveries were effected from the running account bills settled subsequently. A sum of Rs. 14.14 lakhs was outstanding against NBCC as on 31 March 1990.

The Payment of advance had not been contemplated either in the contract or in the notice inviting tenders. No orders for levy of interest on the advances were issued. At a rate of interest of 18 per cent per annum, which was the rate charged on mobilisation advances paid to the contractors engaged in construction of the plants at Rithala and Kondli, the interest worked out to Rs. 40.81 lakhs upto March 1990. Non levy of interest has resulted in undue benefit to the NBCC and loss of Rs. 40.81 lakhs to the Undertaking.

The plant, which as per agreement was to be completed in 24 months, was completed only after 90 months. Under clause 16 of the agreement the Municipal Engineer may decide to levy as compensation an amount equal to one per cent or such smaller amount of the amount of contract for every day that work remains uncommissioned or unfinished after the proper dates provided always that the entire amount of compensation to be paid under the provision of this clause shall not exceed ten per cent of the amount of the contract as shown in the tender.

The plant was to be commissioned in September 1985. The extension of time for completion of the work was granted from time to time without prejudice to the rights of the department to recover compensation. In September 1988, compensation amounting to

Rs. 108 lakhs was levied on NBCC for delay in completion of the work. The recovery of compensation was, however, deferred by the Deputy Commissioner (Water) in November 1988 as he felt enforcement of recovery would result in closure of the work, un-necessary delay in the completion of work and likelihood of litigation. The compensation had not been recovered till February 1991.

6.6 Sewage treatment plant, Rithala

The plant at Rithala was designed to collect and evacuate sewage from Shalimar Bagh, Pitampura, Haiderpur, Mangol Puri, Wazirpur, Trinagar and Sarai Rohilla in North West Delhi. These areas had already been developed by the Delhi Development Authority (DDA). A proposal for construction of sewage treatment plant at Rithala was approved by Delhi Water Supply and Sewage Disposal Committee (Committee) in September 1982 at an estimated cost of Rs. 5069 lakhs. The scheme envisaged construction of a plant of 75 million gallons per day (MGD). It was decided by the Committee to construct a 40 MGD plant in the first phase. Price bids for construction of 40 MGD plant for different components of the works grouped under sub-heads A1, A2, A3, and A4 received in January 1984, were opened in December 1984. Work orders were awarded to contractor 'A' in October 1985 in respect of sub head A-1 at a cost of Rs. 89.12 lakhs and to contractor 'B' in September 1985 at a cost of Rs. 1004.24 lakhs in respect of sub-heads A-2, A-3 and A-4. The work in respect of all sub-heads was to be completed in October 1987. Against the contractual amount of Rs. 1093.36 lakhs, expenditure to the tune of Rs. 1053.55 lakhs had been incurred upto March 1990 the progress of work being 98 per cent.

In respect of works entrusted to contractor 'B', the tender rates had a validity period of 180 days from the date of opening of tenders i.e. upto 8 June 1985. Tenders were however finalised and work was awarded only in September 1985 with stipulation for completion in October 1987. The escalation payable to the contractor was to be determined with reference to the rates applicable from the date of opening of price bids but the period of completion of work was to begin from the date of award of work. Thus any delay in the award of work would automatically extend the period of execution of work and for later part of the extended contract period the escalation clause would become operative. Due to the delay in finalisation and award of work after the expiry of the validity period of tender rates, the contractor had to be compensated by a sum of Rs. 5.18 lakhs towards escalation in the cost of labour and material.

The design drawings submitted by the contractor in May 1986 were approved by Chief Engineer in September 1987 i.e. 16 months after their submission by the contractor. Due to this abnormal delay the stipulated date of completion in October 1987 had to be extended further upto March 1989. This extension had led to an extra payment of Rs. 21.89 lakhs on account of escalation during the period from October 1987 to March 1989.

It could be seen from the above that an extra expenditure of Rs. 27.08 lakhs had to be borne by the Undertaking due to the delay in finalisation of tender and design drawings by the Engineering Department.

In an accident of 5 May 1989, one digester steel dome meant for collection of gas was damaged. The Undertaking had obtained an indemnity bond from the contractor according to which the contractor had to rebuild and set right the entire steel dome at his own cost. The bond did not however specify any time limit within which the dome should be rebuilt by the contractor. This had not been taken up (June 1990). It was stated by the Executive Engineer that a sum of Rs. 4.48 lakhs proposed to be withheld on account of damaged dome could not be withheld due to non-payment of regular on account bills since April 1989. The bills for escalation were paid in January-February 1990 but the sum was not recovered/adjusted from these bills.

6.7 Sewage treatment plant, Kondli

The plant provides sewerage facilities in the areas of Shahdara, Preet Vihar, Kalyanpuri, Mansrover Park, Dilshad Garden and Vivek Vihar. The treatment capacity immediately required for these areas was 35 MGD and in view of the existing plant of

10 MGD at Kondli, a 25 MGD plant was taken up for construction at a cost of Rs. 850.21 lakhs.

Tenders were invited in August 1986 and price bids opened in May 1987. Work valued at Rs. 467.35 lakhs was awarded to contractor 'C' in February 1988. Other portion of work valued at Rs. 378.67 lakhs was awarded to Contractor 'D' in February 1988. An expenditure of Rs. 521.04 lakhs had been incurred upto March 1990. Though the work was to be completed by contractor 'C' by June 1989 and contractor 'D' by September 1989, the progress made by them was 70 and 58 percent respectively (February 1990).

The price bid as per notice inviting tenders was to hold good for 180 days from the date of opening of tenders i.e. upto 7 November 1987. The works were awarded in the first week of February 1988. The delay of three months in the award of the work had resulted in payment of escalation of Rs. 2.87 lakhs which could have been avoided had tenders been finalised and works awarded within the price bid period. Reasons for the delay in the award of work were not furnished by the Undertaking.

Mobilisation advance to the tune of Rs. 15.83 lakhs to contractor 'C' and Rs. 15.92 lakhs to contractor 'D' was paid during April to August 1988 despite no such condition in the notice inviting tenders. Had a condition to this effect been included in the notice inviting tenders, the possibility of getting more competitive rates could not have been ruled out.

The matter was referred to the Ministry of Home Affairs, Delhi Administration, MCD and Undertaking in November 1990; replies have not been received (March 1991).

CHAPTER III

DELHI ELECTRIC SUPPLY UNDERTAKING

7. Erection of new units at Rajghat Power House

7.1 Introduction

For meeting the increasing deficit and fast growing demand for electricity, Central Electricity Authority accorded techno-economic approval in June 1982 to a proposal of Delhi Electric Supply Undertaking (DESU) for installation of 2×67.5 MW coal based units in partial replacement of the old units at Rajghat at an estimated cost of Rs. 114.56 crores. The estimate was revised to Rs. 159.43 crores in 1984.

The supply, erection and commissioning of the units was awarded to Bharat Heavy Electricals Ltd. (BHEL) on a turn-key basis in February 1985. The two power generating units were commissioned in January and September 1990.

7.2 Scope of Audit

The records of the office of the Chief Engineer (Project) relating to the approval of the project, allotment of work, payments etc. were test checked by Audit from June to September 1990.

7.3 Organisational set-up

The construction of the project was the responsibility of the Chief Engineer (Project) who was assisted by three Superintending Engineers, seven Executive Engineers and twelve Assistant Engineers.

7.4 Highlights

The Public Investment Board approved the project for erection of two units of 67.5 MW each at Rajghat, in December 1984, at an estimated cost of Rs. 159.43 crores. The project cost was revised in November 1989 to Rs. 237.77 crores plus Rs. 25.61 crores as interest charges on investment during construction. The increase was due to change in scope, exchange rate variation, change in duties, escalation etc.

The work was awarded to BHEL without inviting open bids on turn-key basis. The agreement was signed in May 1985. At the time of entering into the agreement only firm commitment for equipment worth Rs. 81.50 crores was made out of an estimated cost of Rs. 159.43 crores. Rates for all other BHEL equipment were settled from time to time after finalisation of specifications.

No mechanism was set up through which DESU could review the reasonability and competitiveness of the rates paid by BHEL for non-BHEL items.

As per the contract, the first unit was to be commissioned by May 1988 and the second unit by September 1988. The units were, however, commissioned in January and September 1990 respectively.

Penalty amounting to Rs. 10.71 crores due to delay in completion of the project had not been demanded from BHEL.

As per estimates approved in 1984, the cost of generation of power was worked at 79 paise per unit. As per the revised estimates (1989), the cost of generation worked out to Rs. 1.24 per unit.

If the plant operates for a minimum of 5350 hours annually, the monthly production would be 30.09 million units. However, the average monthly production of the first unit during the first six months was 22.31 million units only. As the actual production was much less than what was assumed at the time of approval of the project, the cost of generation would be considerably higher than Rs. 1.24 per unit contemplated in the revised estimates.

Performance and guarantee test has not been carried on Unit-I commissioned in January 1990.

In the absence of the break-up of expenditure, Audit could not check the correctness of payment of Rs. 16.87 crores due to variation of prices for steam/turbine generating packages over and above the ceiling of 20 per cent provided for in the agreement.

7.5 Project estimates

The Central Electricity Authority in its meeting held, in June 1982, accorded techno-economic approval to the project for installation of two coal based thermal units with a capacity of 67.5 MW each as replacement units at Rajghat Power Station. The project was expected to utilise the existing infrastructure without further pollution of the environment. The cost was estimated at Rs. 114.56 crores. The project was recommended by Department of Power to the Planning Commission, in July 1982. The revised project feasibility report prepared, in September 1984, updated the cost at Rs. 159.43 crores

and expected that the units could be commissioned by 1987-88 based on BHEL offer to construct the project on turn-key basis.

Foreseeing some problem about availability of site due to delay in dismantling the old power station, the report had incorporated certain modifications in layout, so that the work could be started before the site was fully cleared in July 1985.

The DESU proposal of installation of 2 × 67.5 MW units at a cost of Rs. 159.43 crores was considered

The item-wise cost as estimated in September 1984 and that finally approved by Public Investment Board, in June 1990, is given below :—

		(Rupees in crores)			
Sl. No.	Description	Approved cost in September 1984	Revised Estimated cost in November 1989	Extent of increase	Percentage increase
1	2	3	4	5	6
1.	Preliminaries and provision for staff colony	3.70	4.40	0.70	18.92
2.	Road, bridges and railway sidings	0.62	3.51	2.89	466.12
3.	Civil works	13.68	27.61	13.93	101.82
4.	Mechanical equipment	113.15	159.87	46.72	41.29
5.	Electrical equipment	11.80	22.24	10.44	88.47
6.	Insurance	0.53	1.70	1.17	220.75
7.	Project engineering and management, Establishment, T&P, consultancy, project management charges.	10.09	14.30	4.21	41.72
8.	Miscellaneous				
	(i) Temporary quarters, sheds, construction power, telephone, lighting etc.	0.70	1.75	1.05	150.00
	(ii) Pre-commissioning/trial run charges	—	2.16	2.16	216.00
	(iii) Special T&P, training of O&M staff, audit and accounts	1.84	2.00	0.16	8.69
9.	Contingencies	4.32	1.00	(—)3.32	(—)76.85
10.	Resale of old plants	(—)1.00	(—)2.77	(—)1.77	(—)177.00
		159.43	237.77	78.34	49.13
	Interest during construction component		25.61		
	Grand total		263.38		

A comparison of the estimates showed an increase of Rs. 78.34 crores over the original estimates of 1984. The increase was on account of the following main items :—

- (Rs. in crores)
- (a) Change in scope e.g. augmentation of railway facilities, increase in height of chimney, alternative arrangement for dry ash collection, provision of additional cooling Tower and elevator, effluent treatment plant and station transformer etc. 24.74

- (b) Exchange rate i.e. Escalation due to exchange rate for imported components 4.50
- (c) Change in duties viz. Excise duty & Central Sales Tax 7.44
- (d) Increase of prices, rise in cost of major inputs/construction materials 36.44
- (e) Others
- Comprehensive insurance, 8 percent service charges etc. for non-BHEL items 5.22
- Total 78.34

It was noticed in Audit that the increase in the original estimate was mainly due to non-provision/inadequate provision of various items, labour rates as also the cost of insurance for the extended period.

7.6 Scope of contract

BHEL offered, in 1984, to undertake the project work on turn-key basis, proposing to commission the first unit in 33 months and the second unit in 39 months from the date of issue of letter of intent. The offer was approved by the Department of Power in January 1985. The work was awarded to BHEL without inviting open bids.

The letter of intent was issued to BHEL, in February 1985, alongwith a cheque for rupees one crore. The agreement was signed by BHEL and DESU, in May 1985, stipulating the commission of first unit by May 1988 and the second unit by September 1988.

The scope of the agreement with BHEL inter-alia included designing, engineering, consultancy, procuring and manufacturing plant and equipment and their erection at site and successful continuous operation of the generating sets for a period of 14 days on full load after start of their commercial operation.

BHEL was to supply two sets of 67.5 MW steam generating units, turbine generators, auxiliaries and other associated equipment including design, engineering and project management, supply of materials, erection, commissioning and testing of the units.

DESU agreed to pay BHEL as under :—

	(Rupees in crores)
(i) Supply of	
(a) two sets of steam generator and their auxiliaries	37.50
(b) two sets of turbine generator and their auxiliaries	26.50
(ii) Engineering and project management	10.00
(iii) Erection, commissioning and testing of equipment at (i) above	7.50

Apart from the above, DESU agreed to pay for other supplies, erection, work and services in the manner detailed below :—

(i) All other BHEL equipment	Prices to be settled after finalisation of specifications
(ii) Supplies and services (including civil works) of non-BHEL items	Actual cost plus 8 per cent service charges
(iii) Freight, insurance, storage-sheds	At actuals

At the time of entering into agreement with BHEL in May 1985, only firm commitment for equipment worth Rs. 81.50 crores was made out of an estimated project cost of Rs. 159.43 crores. The prices for other BHEL equipment, were to be decided after finalisation of specifications, after deliberations with review consultants. BHEL was being paid Rs. 7.50 crores towards erection, commissioning and testing of the equipment. The contract also provided for payment of Rs. 10.00 crores as charges for engineering and project management.

7.7 Competitiveness of rates

As per clause 9 of the agreement, BHEL could assign or sublet the contract or any substantial part thereof. For procurement of non-BHEL items, a purchase committee was formed by BHEL with one representative from DESU.

The contractor agreed to furnish, inter-alia, the following documents to DESU in respect of sub-contracted and bought out items :—

- (i) Sets of each tender specifications for civil, electrical and mechanical works.
- (ii) Copies of tender notice issued for any sub-contracting.
- (iii) Copies of detailed purchase orders placed on all sub-contractors.

However, the agreement was silent about the terms and conditions of advance payment for non-BHEL items, inspection during construction period and before despatch, the comparative statement of bids received, recommendations of the purchase committee and other documents for processing the award of work and notes relating to the placement of orders. There was no mechanism through which DESU could review the reasonability and competitiveness of the rates offered by the supplying contractors.

As regard the financial control over the purchase procedure DESU stated (October 1990) that this was done by BHEL by issuing tenders on limited basis only to proven/acceptable firms and that DESU's representative was a member of BHEL's purchase committee.

7.8 Delay in commissioning of the units

As per the agreement with the contractor the first unit was to be commissioned by 31 May 1988 and the second by 30 September 1988, but the units were commissioned in January and September 1990 respectively.

As per the note prepared by DESU for Public Investment Board, in November 1989, the major reasons for time over-run in commissioning of the two units were as under :—

(i) Availability of clear site

Against the stipulated date of making the entire site available, in July 1985, major portion of the site was made available only in August—November 1985. For coal handling plant, the area was handed over, in December 1986, but the work commenced in February 1987. There was delay in disposal of the old power stations through Director General Supplies and Disposal and also on account of removing under ground R.C.C. structure.

(ii) Delay in placement of orders

There was delay of over eight months in placing order for different packages by BHEL. In case of Electronic Private Automatic Exchange and Electronic Private Automatic Branch Exchange system, the delay was over 17 months as compared with order dates given in Programme Evaluation Review Technique chart of BHEL.

(iii) Slow progress of work at sites

On account of slow progress of piling work during the initial stages and civil works, there was delay in commencement of erection of mechanical/electrical equipment. There was also delay in completion of various sub-systems like coal machinery plant, ash handling plant, control and instrumentation etc.

At the time of clearance of the project in 1984, certain changes in location of the main plant had been made so that dismantling work of the old plant might not delay commissioning of the project. When BHEL offer was approved by Delhi Electricity Supply Committee in February 1985, steps for making the site available in time should have been taken by DESU.

BHEL, on its part, also delayed in placing orders for various equipment without valid reasons. The piling work was also delayed resulting in further delay in civil works, which in turn affected the completion of various sub-systems. The delay in commissioning of the units thus resulted in escalation of project cost.

7.9 Penalty for delay in commissioning

The generating sets which as per agreement were scheduled to be commissioned in May and September 1988 were actually commissioned in January and September 1990 respectively. Thus there was a delay of 20 months in case of first unit and 23 months in case of second unit in commissioning. BHEL was partly responsible for the delay in completion of the project which was due to delay in placing orders for various equipment, slow progress of works at site, delay in engineering/manufacturing etc. The contract with BHEL provided imposition of penalty at the rate of 1/4 per cent per week subject to a maximum of 5 per cent of the contract value for delay in completion of the project. However, the DESU did not impose the penalty for failure to complete the work on schedule. The penalty recoverable amounted to Rs. 10.71 crores. DESU informed (July 1990) that payment of penalty by BHEL was to be finalised only on completion of the project.

7.10 Cost of generation of power

As per the original estimates of 1984 with an outlay of Rs. 159.43 crores, the cost per KW was worked out to Rs. 11809 and cost of generation at the bus bar was worked out as 69.56 paise per unit which was considered reasonable. After allowing for a minimum return on capital of 3 per cent and a half percent general reserve, the sale price worked out to 79 paise per unit.

Based on the latest revised estimates of Rs. 237.77 crores the cost per KW of installation worked out to Rs. 17612.49 and the cost of generation was 124 paise per unit. Increase in the cost of generation was attributed by DESU to :—

- (i) Increase in the capital investment (Rs. 159.43 to Rs. 237.77 crores).
- (ii) Increase in the prices of fuel (Rs. 13.61 to Rs. 25.28 crores).
- (iii) Increase in the operation and maintenance expenditure (Rs. 2.95 to Rs. 4.40 crores).
- (iv) Increased depreciation and interest charges on capital (Rs. 15.09 to Rs. 24.37 crores).

7.11 Low utilisation of the power house

The agreement with the BHEL laid down that on erection of the units and on conclusion of satisfactory pre-commissioning tests, the trial operation of the units was to be carried out. The trial operation was considered successful if the equipment is in operation continuously for 14 days on full load or at any reduced load out of which the equipment shall be in continuous operation on full rated capacity for at least 72 hours. In case of interruption exceeding 8 hours the trial operation is to be repeated. At the end of trial operation the plant was to be taken over by DESU.

After a trial run of 14 days in January 1990, DESU assumed operation and maintenance responsibilities of Unit-I. The operational performance of the Unit-I for the first six months of operation was as under :—

Month	Total electricity generated (million units)
February 1990	21.11
March 1990	24.70
April 1990	24.47
May 1990	23.91
June 1990	21.02
July 1990	18.66
Total	133.87

The power generation averaged 22.31 million units per month.

As against 8760 (24x365) hours available in a year, the revised estimates prepared in November 1989 assumed 5350 hours operation in a year. The monthly generation of a unit 67.5 MW capacity comes to 30.09 million units ($67.5 \times 5350 / 1000 \times 12$) whereas the average monthly production during the last six months was 22.31 million units only.

The Executive Engineer (M-II) Project stated in August 1990 that normal operation of the unit did not imply its working at full load all the times. The loading of the unit was governed by the system demand as well as other factors/conditions of the system/equipment which might at times restrict the loading.

The reply is not tenable. As against 8760 hours available for 365 days in a year, the project report had made adequate deduction of working hours to cover contingencies of maintenance, repair, breakdowns, demand fluctuations etc. and had projected total working of 5350 hours a year. Any further loss of operating hours would reduce the output assumed in the projected cost calculation.

The projected cost of generation of Rs. 1.24 per unit would be valid if the plant operates for a minimum of 5350 hours annually and generates 361.13 million units annually or equivalent to 30.09 million units monthly. As the actual generation is 22.31 million units per month the cost of generation would be considerably higher than the one assumed in the feasibility report.

7.12 Performance guarantees

The agreement provides for conducting of performance and guarantee test by the purchaser on the representative unit within a period of two months after the successful completion of trial operations. In case the performance test can not be carried out within two months (or as may be mutually agreed) of successful completion of trial operation of the unit for reasons not attributable to the contractor, the contractor shall have no responsibility of carrying out the performance test. If the operation showed any decrease in the guaranteed values, the contractor was to modify the equipment to enable it to meet the guarantees. In case of failure or non-fulfilment of the guaranteed efficiency, the contractor was liable to pay penalty depending upon the deficiency/shortfall.

It was seen in Audit that instead of providing for performance tests of both the units, the contract provided for such checks in any one of the units. The overall performance depends upon the output of both the units taken together. It would have been desirable had the tests been conducted on both the units.

On enquiry by Audit whether the equipment fulfilled the required tests, DESU stated, in July 1990, that performance guarantee tests on any selected unit would be conducted within two months after completion of trial of the second unit and that all guaranteed parameters would be verified then and action taken accordingly.

It is observed by Audit that trial operation of Unit-I was done, in January 1990 and its operation and maintenance was taken over by DESU without carrying out performance guarantee test.

7.13 Revision of tariff

While approving the revised cost estimates, in June 1990, the PIB noted that the present cost of generation/purchase of electricity by DESU worked out to Rs. 1.34 per unit whereas the average realisation was Re. 0.70 per unit only. Any increase in generation and sale of power by DESU increased the gap between its 'receipt' and 'expenditure'. The PIB suggested that it was imperative to revise the tariff structure of DESU. The revision in the tariff structure has been made with effect from March 1991.

7.14 Contract price adjustment

The agreement laid down the formula for increase in prices of various packages during the period of construction of the project. As per the agreement the variation of prices for steam generating and turbine generating units were subject to a ceiling of 20 percent excluding variation on account of customs duty and exchange rate. The fixed cost of the package was Rs. 64.00 crores in the agreement signed in May 1985. Besides there was a provision of Rs. 2.56 crores for high pressure piping, cooling water pumps etc. and Rs. 7.50 crores for erection, commissioning and testing of the equipment. The total cost of the package amounted to Rs. 74.06 crores. At the variation rate of 20 per cent, BHEL was not entitled to claim price escalation of more than Rs. 14.81 crores. Against a sum of Rs. 88.87 crores, the revised cost for this package was however estimated at Rs. 105.74 crores in 1989. The excess of Rs. 16.87 crores more than the ceiling laid down in the contract was not explained. The breakup of the actual expenditure incurred on this package was not intimated to Audit by the DESU.

On enquiry about the abnormal variation, DESU stated in December 1990, that the revised cost was inclusive of cost of spares, customs duty, sales tax, freight charges and price variation as per contractual stipulations. In the absence of the breakup of the expenditure, audit could not verify whether the

payments for package did not exceed the 20 per cent ceiling on price variation provided in the agreement.

7.15 Insurance

According to the contract, BHEL was to provide for a comprehensive insurance of the entire property including plant, machinery, equipment and materials from ex-manufacturers work state till the commissioning of the plant for full value against loss, damage or destruction by fire, lightning, earthquake, theft, pilferage, riots etc. to protect the interest of DESU. The insurance expenses were to be borne by DESU. Accordingly the insurance policy was taken for the project to cover various risks for a period of four years commencing from August 1985. The premium payable for the period amounted to Rs. 134.28 lakhs.

Due to delay in the completion of the project, beyond August 1989, further extension of insurance cover for six months upto February 1990, in case of Unit-I and one year upto July 1990 for Unit-II, was obtained. A sum of Rs. 35.02 lakhs was paid as insurance charges for the extended period which was re-imbursed by DESU without examination whether the delay was attributable to BHEL in the execution of the project.

The matter was referred to Ministry of Energy (Department of Power), Delhi Administration, Municipal Corporation of Delhi and Delhi Electric Supply Undertaking in January 1991; replies have not been received (March 1991).

CHAPTER IV

NEW DELHI MUNICIPAL COMMITTEE

8. Administrative set-up and financial aspects

8.1 Introduction

A municipality was established in 1926 to cater to the sanitary needs of a large number of workers deployed in the construction of the new capital and came to be known as Imperial Delhi Municipal Committee. In 1927, it was changed to New Delhi Municipal Committee (NDMC) and was entrusted with the task of providing civic amenities to the residents of its area. Simultaneously NDMC was granted license for distribution of electricity in the area.

NDMC is governed by the Punjab Municipal Act, 1911, as extended to Union Territory of Delhi and is a nominated body. NDMC was superseded in February 1980 and an Administrator was appointed by the Central Government to exercise the powers of NDMC.

The Administrator is assisted by a Secretary, a Financial Adviser, Chief Engineers (Civil and Electrical) Director (Estate, Tax, and Horticulture) and Medical Officers (Health) and various other officers.

The main functions of NDMC are to provide civic amenities e.g. water supply, supply of electric energy, street lighting, sanitary arrangement, public health, primary education, children parks, gardens, roads etc. In addition, NDMC provides special amenities such as swimming pools, stadiums, palika club and palika hostels, working girls hostel, youth centres, community centres, barat ghar etc.

8.2 Financial position

The receipts and disbursements as disclosed by March final accounts for 1987-88, 1988-89 and 1989-90 were as under :—

	(In crores of rupees)		
	1987-88	1988-89	1989-90
Non-plan receipts			
Revenue receipts	91.40	110.81	126.73
Grants	1.81	2.03	2.80
Loans	0.32	0.32	0.35
Total receipts	93.53	113.16	129.88
Disbursement	90.45	109.24	133.89
Balance	3.08	3.92	(—)4.01
Plan receipts			
Grants	16.00	12.90	14.81
Loans	14.06	17.62	13.48
Total receipts	30.06	30.52	28.29
Disbursement	31.20	34.42	24.17
Balance	(—)1.14	(—)3.90	4.12

8.3 Accounts

The New Delhi Municipal Committee has to maintain its accounts in accordance with the principles/guidelines laid down in the Punjab Municipal Account Code, 1930 as extended to Delhi. The Account Code provides that at the end of the year an annual accounts after signature by the Secretary and the Administrator is to be laid before NDMC for approval and after its approval a copy is sent to the Local Self-Government of Delhi Administration by August each year.

The annual accounts for 1989-90, as intimated by the Administrator (April 1991), have been finalised and approved by NDMC.

8.4 Audit by the Comptroller and Auditor General of India

In December 1989, audit of accounts of the NDMC pertaining to all receipts and expenditure has been entrusted to the Comptroller and Auditor General of India under Sections 14(2) and 15(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

8.5 Arrears of audit by Examiner, Local Fund Accounts

The Examiner, Local Fund Accounts, Delhi Administration has been entrusted with the concurrent audit of NDMC's accounts under the Punjab Municipal Act. The Examiner, has completed audit upto 1985-86 the report of which was submitted to Local Self-Government, Delhi Administration in July 1990.

It was observed by Audit that as many as 752 paragraphs of annual audit reports and 7722 paragraphs of local audit reports of the Examiner Local Fund Accounts were outstanding at the end of March 1990.

The NDMC stated (April 1991) that after March 1990, out of 7722 paragraphs of local audit reports, 614 had been settled.

8.6 Internal Audit

The Internal Audit wing was set up in 1966 and is headed by a Chief Accounts Officer who is assisted by a Senior Accounts Officer with two Audit Officers, one for expenditure and the other for revenue.

Out of 219 units required to have been audited during the cycle of 1986-87 to 1989-90, the Internal Audit wing had audited 53 units. At the end of March 1990, 2423 paragraphs of Internal Audit reports were outstanding for which yearwise breakup was not available.

The reasons for heavy shortfall in audit as intimated by the Chief Accounts Officer were deployment of entire staff of audit on jobs other than audit. It was stated by the NDMC in April 1991 that concerted efforts were being made to clear the shortfall and a special drive for auditing several units had been launched.

The matter was referred to the Ministry of Home Affairs, Delhi Administration and New Delhi Municipal Committee in February 1991; replies from the Ministry and Delhi Administration have not been received (April 1991).

9. Delay in award of work

New Delhi Municipal Committee (NDMC) approved a preliminary estimate in January 1987 to cover a length of 1280 meters of Kushak Nallah falling within the jurisdiction of NDMC with a view to check insanitary conditions and mosquito breeding and to avoid health hazards. The work was split into three phases and tenders were called separately for each phase. Phase-III was to cover a length of 400 meters from RD 0—400 at an estimated cost of Rs. 87.47 lakhs (worked out with Delhi Schedule of Rates for 1985). Percentage rate tenders were invited and opened in May 1989. In response, only four contractors offered their rates and the lowest offer (Rs. 107.41 lakhs) was 22.80 per cent above the estimated cost and valid upto 31 July 1989. The justified rates compiled by the department on the basis of the prevailing market rates of material and labour worked out to 25.61 per cent above the estimated cost. The lowest offer was less than justified cost. The department did not, however, accept this offer. Neither the first lowest nor the second lowest bidder had agreed to reduce their rates. The lowest tenderer extended the validity of the tender upto 17 August 1989 but no decision to award the work was taken before the extended date.

The Administrator (NDMC) stated, in November 1990, that the work could not be awarded as the lowest tenderer had not responded in spite of notice/letter issued to him. It was observed in Audit that no letter awarding the work was delivered to the tenderer before the expiry of the extended date. A letter dated 16 August 1989 calling the tenderer to

attend the office on 17 August 1989 was not accepted by the tenderer. If the work had been awarded and the tenderer had not accepted the offer the earnest money could have been forfeited. In the absence of a formal letter of award of work, earnest money had not been forfeited.

Tenders were recalled in October 1989. The response was only from the same contractors who quoted their rates for the first tender call. After negotiations, the work was awarded to the lowest tenderer, in January, 1990, for Rs. 112.31 lakhs i.e. at 28.40 per cent above the estimated cost.

The delay in acceptance of the tender received in May 1989 in time which was well within the estimated justified cost resulted in recall of tenders and in an extra expenditure of Rs 4.90 lakhs.

The matter was referred to the Ministry of Home Affairs and Delhi Administration in September 1990; replies have not been received (March 1991).

10. Licensing of shops and markets

10.1 Introduction

Government of India had constructed markets for providing commercial units/shops to displaced persons soon after partition. The estate management of seven such markets falling within the New Delhi Municipal Committee (NDMC) areas were transferred to NDMC. Subsequently many shopping complexes and markets had also been built by NDMC.

10.2 Scope of Audit

The records of licensing the shops and recovery of licence fee of Super Bazar, Palika Bazar, Palika Parking, Palika Bhawan and Palika Place were test-checked in Audit during March to July 1990.

10.3 Organisational set-up

The Estate Department is headed by Director (Estate) and the authority to grant/cancel the licence is vested in the Administrator as the Committee has remained superseded from February 1980.

10.4 Highlights

—Collection of damage charges amounting to Rs. 2630.42 lakhs during the years 1986-87, 1987-88 and 1988-89 was transferred to a suspense head. The accumulated sums of damages so transferred over a number of years was not available as separate account of such deposits and refunds were not kept.

—The Estate Department had neither established any system of monitoring the records of licenced properties nor prescribed any return.

—Arrears at the end of each financial year had not been compiled. As worked out by Audit, Rs. 293.58 lakhs were outstanding as on 31 December 1990.

—A revenue of Rs. 8.76 lakhs was lost as eight shops remained vacant between May 1984 and June 1989.

Nine offers for office spaces in Palika Place of more than Rs. 18 per square foot per month, received in November 1986 were rejected, which were later on allotted at the reserved rate of Rs. 18 per square foot per month on various dates upto June 1987 resulting in a loss of revenue of Rs. 2.77 lakhs for the period from December 1986 to February 1987.

—The NDMC suffered a loss of Rs. 5.25 lakhs in five cases on account of non-adjustment of interest before adjusting the sums against overdue damages.

10.5 Collection of licence fee

The licence fee is collected through collection counters opened by NDMC. The daily statements, along with the challans, giving details of the recovery, are checked by the Estate Department who, after verifying the recoveries, detach the challans for making necessary entries in the demand and collection registers and send the recovery statements to the compilation branch for accounting purposes. The classification of collections is recorded in allocation register in which monthly and annual collections for different heads of receipts are available.

It was observed by Audit that the budget documents of NDMC depicted lower figures of actual receipts of licence fee including damage charges, than accounted for in the allocation registers for successive years as can be seen from the following table :—

(Rupees in lakhs)

Year	Revised estimated receipts	Actual Receipts	
		as per budget documents	as per allocation registers
1	2	3	4
1985-86	1219.55	1042.77	1172.38
1986-87	1508.00	978.83	1811.62
1987-88	1750.00	1025.17	1891.56
1988-89	3072.00	1265.36	2172.84
1989-90	2300.00	2276.45	2281.16

The receipts of licence fee and damage charges are accounted under the receipt heads, even in cases where some of the claims were contested by the payees. The refunds or adjustments, when made subsequently, are accounted for as a deduct entry in the year in which the refund or adjustment is made.

It was observed that damage charges amounting to Rs. 2630.42 lakhs for the years 1986-87, 1987-88 and part of 1988-89 were transferred in March (final) of respective years to a suspense head of account designated as deposit estate damages. No action had been taken to clear deposit suspense. The accumulated sums of damages so transferred over a number of years was not available as separate account of such deposits and refunds made were not kept.

The Administrator, NDMC stated, in January 1991, that the objection had been noted for future guidance.

10.6 Monitoring and control

The department had not prepared any manual laying down the records to be maintained, procedure for raising demands and watching recoveries thereof, the system of totalling and verifying the totals of progressive individual accounts with accounted sums. The periodical checks by senior officers and returns regarding position of shops lying vacant, dues outstanding etc. have also not been specified.

In the absence of the above it was not possible for NDMC to have an effective control on the management of its estates.

The Administrator, NDMC stated in January 1991 that he intended to computerise the accounts of the Estate Departments and a manual would also be prepared.

10.7 Arrears of licence fee

The arrears of licence fee, damages and interest outstanding at the end of 1986-87 to 1989-90 were as under :—

Year	Amount (Rupees in lakhs)
1986-87	2170.87
1987-88	2402.73
1988-89	2064.52
1989-90	2469.77

Consolidated record to work out the arrears at the end of each financial year had not been maintained. As all the demand and collection registers had not been closed so far, the correctness of the statement given could not be checked.

An amount of Rs. 293.58 lakhs was outstanding as on 31 December 1990 from 67 ex-allottees of four markets (Palika Bazar, Palika Bhawan, Palika Parking and Palika Place) as worked out by Audit during test-check.

In the absence of separate records/ registers for ex-allotees which were required to be closed at the end of each year, the action taken to pursue recoveries of dues and the total dues at anytime could not be ascertained.

The Administrator, NDMC stated (January 1991) that steps were being taken to prepare the abstracts so that the correctness of balances was established.

10.8 Reconciliation of receipts

All the challans received from the treasury in support of recoveries were first entered into an allocation register and then posted against the individual licensees in the demand and collection registers. Neither any extract nor a reconciliation of totals of credits posted in the accounts of licensees in the demand and collection registers with the total receipts accounted for in the allocation register during the accounting period, had been done. The possibility of extra/erroneous/excess credits being posted in the ledger account of a licensee in the demands and collection register could not be ruled out.

The Administrator, NDMC stated (January 1991) that the whole system was being computerised and being brought upto date.

10.9 Maintenance of property register

As per Punjab Municipal Account Code, 1930, as adopted by NDMC, property register is required to be maintained in respect of all immovable properties vested in or owned or leased by NDMC.

It was noticed that the property registers, showing the position of property owned by NDMC, the units licenced and the units lying vacant had not been maintained. In the absence of which it could not be ascertained in audit that all the units were authorisedly licenced and no unit was lying vacant without adequate reasons.

In a reply, the Administrator, NDMC stated (January 1991) that a copy of the property register maintained in Civil Engineering Department would also be maintained in the Estate Department. The corrective action proposed by the Administrator, NDMC is not adequate because the form prescribed under Punjab Municipal Account Code, 1930, applicable to NDMC, provides information regarding licensees from time to time against each property. The CPWD proforma, maintained in Civil Engineering Department, does not provide for these details.

10.10 Non-maintenance of register of tenders received

As per Central Public Works Department Manual Volume II, the tenders received are required to be entered in a register and comparative statements of tenders are to be drawn up.

It has been observed by Audit that the department was neither maintaining any tender opening register nor comparative statements were being prepared and placed in the file in which decision to award licence was taken. Only tender papers of the persons to whom the licences had been awarded were placed on the file. The number of other offers received could not be ascertained from such files.

The Administrator, NDMC stated (January 1991) that a register of tenders opened would be kept in future. He also stated that comparative statements were prepared before allotments were decided. But these statements were not made available to audit.

10.11 Delay in allotment of shops

A new shopping complex named Palika Bhawan, was constructed in 1984 at R.K. Puram at Rs. 3.65 crores. In September 1983, the NDMC had decided to rehabilitate 50 evictees of erstwhile Shastri Market in this complex.

Nine shops remained un-allotted as the evictees of Shastri Market did not accept the allotment. Hence it was decided in March 1989 to call for tenders for these shops. Leaving one shop, the allotment of which was stayed by court, the other eight shops were allotted between June and December 1989. Thus these eight shops remained vacant from May 1984 (date of allotment in accepted shops) to June 1989 (the earliest date of allotment of these 8 shops) for which the NDMC had suffered a loss of revenue of Rs. 8.76 lakhs.

The Administrator, NDMC, had stated (January 1991) that the matter relating to allotment of these shops remained under correspondence between a number of government agencies viz NDMC, Ministry of Education, Director (Estate), Government of India. Audit had noticed a delay of nearly five years. The consultations between government agencies should have been done in a shorter period.

10.12 Loss due to non-allotment/delay in licencing

A shopping complex, Palika Place at R. K. Ashram Marg was constructed in November 1986 at Rs. 2.85 crores. Tenders for 66 office units were invited in October 1986. The reserve price was fixed in December 1986 at Rs. 18 per square foot per month. Out of 99 tenders received in November 1986, 9 tenderers offered rates above Rs. 18 per square foot per month. A government department had also requested for allotment of office accommodation measuring 6000 square feet at an appropriate rate. But all the tenders were rejected in December 1986, stating that efforts be made to obtain higher rates. The request of the government department was also rejected in November 1986 with the remarks that the

request will be considered later on. Tenders were again invited and opened, in January 1987, mentioning the reserve price of Rs. 18 per square foot per month. Fifteen valid tenders offering Rs. 18 to 25 were received and allotments were made to them.

Tenders were invited for the third time and opened in February 1987 in which eight office units were allotted at Rs. 18 and above per square foot per month. The Administrator ordered in February 1987 that the remaining 43 units be allotted on first come first served basis at the rate of Rs. 18 per square foot per month. These units were allotted from various dates upto June 1987.

The failure to accept nine offers above Rs. 18 per square foot per month received in November 1986, the NDMC suffered a loss of revenue of Rs. 2.77 lakhs for the period from December 1986 to February 1987 as the shops could be allotted in March 1987.

The request of a government department was also rejected in November 1986, but subsequently 10 office units were allotted to them in March 1987. The NDMC suffered a loss of Rs. 3.24 lakhs from December 1986 to February 1987 as the premises remained vacant during this period. Thus total loss worked out to Rs. 6.01 lakhs.

The Administrator, NDMC in reply had stated (January 1991) that tenders in the first instance were invited without any reserved rate because NDMC had no idea about the probable rate of allotment.

10.13 Levy of interest from defaulting licencees

When a payment of dues which includes an element of interest on belated payment is made, the interest

element is to be adjusted first and the additional payment is adjusted towards settlement of outstanding demand.

As per the terms and conditions of the licence deed, in case the licence is cancelled, the unauthorised occupants of the public premises are liable to pay 30 per cent additional licence fee as damages. In addition, interest at the prescribed rate is payable on the sum calculated as damages, if the damage charges, as determined by the licensor are not deposited in the Municipal Treasury by the 10th of each calendar month.

During the scrutiny of damage register of commercial projects for the year 1989-90 it was observed by Audit that recovery of interest on damages had not been treated on a uniform basis. In most cases the amount paid by the licencees was adjusted towards damages; in other cases adjusted against outstanding interest and damages both. No general policy has been laid down.

In five cases, test checked in Audit, the NDMC suffered a loss of interest worth Rs. 5.25 lakhs for non-adjustment of interest before giving credit to the damage charges from the payments made by the licencees.

The reply of the Administrator, NDMC, that it was the efforts of NDMC to recover both dues simultaneously from the party, is not tenable because the audit observation related to non-adjustment of interest before recording recovery of licence fee/damage charges.

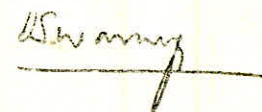
These observations were referred to Ministry of Home Affairs and Delhi Administration in October 1990; replies have not been received (March 1991).

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(D. SWARUP)
Principal Director of Audit,
Central Revenues-II

Countersigned



(C. G. SOMIAH)
Comptroller and Auditor General of India.



ERRATA

<i>Page No.</i>	<i>Column No.</i>	<i>Line</i>	<i>For</i>	<i>Read</i>
1	2	3	4	5
3	1	14	of	or
4	2	12	has	had
5	1	2	Hight	high
8	2	19	projpct	project
10	2	41, 42, 45	licencees	licensees
10	2	52	last	last/
11	2	27	licencee	licensee
17	1	16	NMCC	NBCC
20	1	33	comparision	comparison
21	2	7	Acutal	Actual
25	1	10	license	licence
25	2	7	accounts	accout
28	2	39	Licencing	Licensing
29	1	8	Syuare	Square
29	1	12	alloted	allotted
29	1	31	licencees	licensees
29	2	10	licensor	licenser
29	2	17, 25	licencees	licensees

