Report of the
Comptroller and Auditor General of India

COMPLIANCE AUDIT REPORT
for the year ended March 2022

Government of the Union Territory of Puducherry
Report No. 2 of 2024

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PREFACE

This Report for the year ended March 2022 has been prepared for submission to the Lieutenant Governor under Section 49 of the Government of Union Territories Act, 1963.

The Report contains significant results of the Compliance Audit of the Departments of the Government of Union Territory of Puducherry under the General, Social and Economic (including Revenue) Service Sectors including Departments of Agriculture, Commercial Taxes, Civil Supplies and Consumer Affairs, Finance, Public Works, Revenue and Disaster Management, Tourism and Transport.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2021-22 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2021-22 are also included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report contains two Compliance Audits on (i) Subject Specific Compliance Audit on 'Department's oversight on GST Payments and Return filing'and (ii) Loss incurring Public Sector Undertakings of Puducherry and six compliance audit paragraphs.

The overall receipts and expenditure of Union Territory of Puducherry for the year 2021-22 was ₹ 10,943 crore[1] and ₹ 10,369 crore[2] respectively.

We observed several deficiencies in critical areas, which had adverse impact on effective functioning of Government Departments. Key audit findings contained in this report are as under:

Subject Specific Compliance Audit on 'Department's oversight on GST Payments and Return filing'

Audit noticed deviations from the provisions of the Act in 49 cases involving an amount ₹ 19.98 crore constituting 27 *per cent* of the 181 cases, there were inconsistencies/mismatches in data. Out of this, department accepted the audit observations or initiated action in 30 cases with tax effect of ₹ 11.58 crore.

In respect of detailed audit of 25 taxpayers' Returns, granular records such as financial statements, supplementary financial ledgers, etc., were not produced in five cases and in the rest of 20 cases, the granular records were produced partially. These cases represent a potential risk exposure of ₹ 35.11 crore towards identified mismatches in ITC availment and tax payments.

(Paragraph 2.7)

Compliance Audit on Loss incurring Public Sector Undertakings of Puducherry for the period 2017-18 to 2021-22

There were 13[3] Public Sector Undertakings (PSUs) in Union Territory of Puducherry as on 31 March 2022. Out of these 13 PSUs, four PSUs *viz.,* Puducherry Agro Services and Industries Corporation Limited (PASIC), Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO), Puducherry Road Transport Corporation Limited (PRTC) and Puducherry Tourism Development Corporation Limited (PTDC) which were

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1 Revenue receipts - ₹ 7,859 crore; Recovery of Loans and Advances - Nil; Public Debt receipts - ₹ 2,516 crore and Public Account receipts - ₹ 568 crore.

2 Revenue expenditure - ₹ 8,748 crore and Capital expenditure (inclusive of Public Account Disbursements) - ₹ 1,621 crore.

3 Includes one non-working PSU (PELECON).

incurring losses, had been taken up for Compliance Audit to analyse the reasons for their losses.

The accumulated loss in the above four PSUs as on 31 March 2022 was ₹ 388.51 crore.

(Paragraph 3.2.1)

PASIC did not take any initiative to review the manpower requirements on a realistic basis and to weed out the excess employees and minimise the salary and wages expenditure. Similarly, PAPSCO had discontinued the Public Distribution System activities, but it did not reassess the manpower requirement properly, failing which unproductive expenditure could not be ruled out.

(Paragraphs 3.2.5.3(f) and 3.2.6.3 (a))

PASIC failed to operate its Organic Compost and Bio-fertiliser units at full capacity, resulting in forgoing revenue to the extent of ₹ 2.14 crore. Failure of PASIC to sustain wholesale supply of vegetable to the Government Departments resulted in a loss to the extent of ₹ 9.10 crore during 2017-22. Further, the delay in closure of the Agro depots led to an avoidable extra expenditure and loss to PASIC by ₹ 22.89 crore.

(Paragraphs 3.2.5.3 (b), (d) and (a))

In respect of PASIC, 11 IMFL licences were kept idle (for want of funds for renewal of licence fee). Further, 21 licences (one Wholesale licence plus 20 Retail licences) were not renewed by PASIC from 2020-21 for want of funds for renewal. PAPSCO, procured IMFL from other wholesale licensees and thereby lost an opportunity to earn revenue to ₹ 8.02 crore. Further, the payment of ₹ 1.32 crore for the wholesale licence during the period of 2017-20 became infructuous.

(Paragraphs 3.2.5.3 (e) and 3.2.6.3 (b))

The continued under-utilisation of production capacity of mineral water plant and the resultant non-absorption of fixed cost led to a loss of ₹ 1.98 crore during 2017-19. The plant was not operational for want of working capital for the remaining three years ending 2021-22.

(Paragraph 3.2.5.3 (c))

PASIC did not take any action to lease the land at Thuthipet by entering into a new lease agreement for the last nine years, resulting in loss of revenue to the extent of ₹ 1.77 crore during 2017-22.

(Paragraph 3.2.5.3 (i))

Non-exercise of lay off for regular staff under Industrial Disputes Act, 1947 by PASIC, led to an extra expenditure of ₹ 29.07 crore on regular employees in addition to commitment to pay ₹ 12.13 crore to workmen thereby incurring avoidable manpower cost to the extent of ₹ 41.20 crore.

(Paragraph 3.2.5.3 (g))

In PRTC, due to non-introduction of new buses, the percentage of overaged buses was 15.71 *per cent* at the end of 2017-18 which had increased to 64.29 *per cent* at the end of 2021-22.

(Paragraph 3.2.7.3 (a))

PRTC has not set any target for fleet utilization and 41 buses were not operated upto March 2022 from different date ranging between 2014-15 and 2020-21. Due to this, the per capita kms has also come down from 10.47 kms (2017-18) to 5.54 kms (2021-22).

(Paragraph 3.2.7.3 (b))

PRTC did not fix target for KMPL during the review period and hence, the KMPL for their buses was low.

(Paragraph 3.2.7.3 (c))

Audit Paragraphs

Failure to ensure the remittance of the concessional stamp duty availed by the women beneficiaries who violated the conditions resulted in non-remittance of stamp duty of ₹ 96.09 lakh.

(Paragraph 2.8.1)

Failure of Registering Officers to levy Stamp duty and Registration fees on lease deed as per the provisions of the IS Act and Registration Act led to short collection of Stamp duty and Registration fees amounting to ₹ 89.61 lakh.

(Paragraph 2.8.2)

Payment of rent free accommodation allowance in contravention to Government of India instructions resulted in inadmissible payment of ₹ 7.86 crore.

(Paragraph 4.1.1)

Not handing over the clear work site led to abandoning of work by contractor and unproductive expenditure of ₹ 5.37 crore and liability of ₹ 1.75 crore towards arbitration award due to incomplete drain improvement work.

(Paragraph 4.2.1)

Despite spending ₹ 1.14 crore out of the total project cost of ₹ 1.21 crore on the work of fish drying platform, the failure of the Department to complete the scanty portion of work resulted in idle investment and denial of benefits to fishermen community.

(Paragraph 4.3.1)

Notification of incorrect base price of bitumen in the Notice Inviting Tenders had resulted in excess payment of ₹ 82.84 lakh on road improvement works.

(Paragraph 4.4.1)

CHAPTER I

INTRODUCTION

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of the Union Territory of Puducherry relates to matters arising from Compliance Audit of selected programmes and activities of Government Departments.

The primary purpose of the Report is to bring important results of audit to the notice of the Union Territory Legislature. Auditing Standards require that the materiality level for reporting should commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved management of the organisations, thus, contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipt, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

This Chapter presents the profile of audited entities, authority for audit besides the planning and extent of audit and follow-up on the previous Audit Reports. Chapter II contains audit observations arising out of audit of Revenue Receipts. Chapter III contains the audit observations arising out of audit of Commercial and Trading Activities of Government and Chapter IV contains findings arising out of Compliance Audit of Government Departments. Abbreviations used in this Report are listed in the Glossary.

1.2 Profile of audited entities

There are 42 Departments in the Union Territory headed by Development Commissioners/Secretaries, who are assisted by Directors and sub-ordinate officers. There are 13[1] Government Companies and 72 Autonomous Bodies.

The entities in Union Territory of Puducherry are audited by the Principal Accountant General (Audit-II), Tamil Nadu and Puducherry.

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[1] Includes one non-working PSU (PELECON).

The comparative position of receipts of the Union Territory Government and expenditure incurred by the Union Territory Government during the year 2021-22 and in the preceding two years are given in **Tables 1.1** and **1.2**.

Table 1.1: Comparative position of receipts

(₹ in crore)

Receipts	2019-20	2020-21	2021-22
Revenue receipts	**6,781**	**5,890**	**7,859**
Tax revenue	2,475	1,948	3,236
Non-tax revenue	1,638	1,460	2,184
Grants-in-aid and contributions	2,668	2,482	2,439
Capital receipts	**Nil**	**Nil**	**Nil**
Recovery of loans and advances	Nil	Nil	Nil
Public Debt receipts	**1,044**	**2,529**	**2,516**
Public Account receipts	**928**	**906**	**568**
Total receipts	**8,753**	**9,325**	**10,943**

(Source: Finance Accounts of respective years)

Table 1.2: Comparative position of expenditure

(₹ in crore)

Expenditure	2019-20	2020-21	2021-22
Revenue expenditure			
General services	2,313	2,432	2,787
Social services	2,440	2,450	2,761
Economic services	2,083	2,378	3,200
Grants-in-aid and contributions	Nil	Nil	Nil
Total	**6,836**	**7,260**	**8,748**
Capital expenditure			
Capital expenditure	327	240	163
Loans and Advances disbursed	Nil	5	Nil
Repayment of Public Debt	762	838	891
Contingency Fund	Nil	Nil	Nil
Public Account disbursements	807	950	567
Total	**1,896**	**2,033**	**1,621**
Grand Total	**8,732**	**9,293**	**10,369**

(Source: Finance Accounts of respective years)

1.3 Authority for audit

The authority for audit by the Comptroller and Auditor General of India is derived from Article 149 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG conducts audit of expenditure and receipts of the Departments in the UT of Puducherry under Sections 13[2] and 16[3] of CAG's (DPC) Act. CAG is the sole auditor in respect of three Autonomous Bodies, which are audited under Sections 15[4] and 19(2)[5] of CAG's (DPC) Act. In addition, CAG conducts audit of 69 other Autonomous/Local Bodies, under Section 14[6] of CAG's (DPC) Act, which are substantially funded by the Government.

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139(5) or (7) of the Act. The Statutory Auditors are required to submit a copy of the Audit Report to CAG, which among other things, include financial statements of the Company as per Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the Audit Report under the provisions of Section 143(6) of the Companies Act, 2013. The audit observations on the financial performance of Government Companies as revealed from their accounts are included in Chapter V of the Union Territory Finances Audit Report of the Comptroller and Auditor General of India for the year ended March 2022, which is being presented separately.

1.4 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various Departments, Corporations and Government Companies based on expenditure incurred, revenue collected, criticality, complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of

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2 Audit of (a) all expenditure from the Consolidated Fund of Union Territory having a Legislative Assembly, (b) all transactions relating to the Contingency Fund and Public Accounts and (c) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept in Government Departments.

3 Audit of all receipts, which are payable into the Consolidated Fund of Union Territory having a Legislative Assembly.

4 Audit of accounts of a body or authority to which grant or loan is given from Consolidated Fund of Union Territory for any specific purpose.

5 Audit of the accounts of Corporations (not being companies) established by or under law made by Parliament.

6 Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of Union Territory having a Legislative Assembly.

stakeholders. Previous audit observations are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports (IRs) containing audit observations are issued to the Heads of the Department, Corporations and Companies. The Departments, Corporations and Government Companies are requested to furnish replies to the audit observations within one month of receipt of IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Report of CAG of India, which is submitted to the Lieutenant Governor of Union Territory of Puducherry under Article 151 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

1.5 Response to Audit

1.5.1 Inspection Reports

A review of Inspection Reports issued up to 31 March 2022 revealed that 3,278 paragraphs relating to 687 IRs remained outstanding at the end of September 2022 (**Appendix 1.1**).

Large pendency of IRs was indicative of the fact that Heads of Offices and Heads of Departments did not initiate appropriate and adequate action to rectify the defects, omissions and irregularities pointed out in the IRs.

1.5.2 Audit Paragraphs

Eight audit paragraphs including two Compliance Audits (i) Subject Specific Compliance Audit on Department's oversight on GST Payment and Return Filing and (ii) Compliance Audit on Loss incurring Public Sector Undertakings of Puducherry for the period 2017-18 to 2021-22 which were forwarded demi-officially to the Secretaries of the Departments concerned between December 2022 and February 2023 to send their responses within six weeks. Government replies were received in respect of two paragraphs. The replies received were suitably incorporated in the Report. Replies of Heads of Department and the views expressed by the representatives of the Government during Exit Conferences/Exit meetings were also considered while finalising the Report.

1.5.3 Recommendations

This Report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedure and systems, compliance with which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large. The UT Government is requested to take cognizance of these recommendations and take appropriate action in a time bound manner.

1.6 Follow-up on the Audit Reports

The Public Accounts Committee (PAC) of the Union Territory Legislature of Puducherry, prescribed a time limit of three months from the date of placement of the Audit Reports in Legislature to the departments for furnishing replies on the audit observations included in the Audit Reports indicating the corrective action taken or proposed to be taken by them and for submission of Action Taken Notes (ATNs) on the recommendations of PAC by the departments. The position of pendency of paragraphs/recommendations, for which replies and ATNs were not received is shown in **Table 1.3**.

Table 1.3: Explanatory notes not received (as of December 2022)

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Number of paragraphs in Audit Report			Number of paragraphs for which explanatory notes were not received		
		Civil	Revenue	Commercial	Civil	Revenue	Commercial
2010-11	30.07.2012	11	3	2	Paragraphs discussed by PAC and recommendations yet to be received		
2011-12	29.07.2013	11	4	2			
2012-13	23.09.2014	10	3	1			
2013-14	06.05.2015	9	2	1			
2014-15	08.09.2016	8	6	1			
2015-16	15.06.2017	8	2	1	4	--	1
2016-17	18.07.2018	7	1	1	5	--	--
2017-18	30.03.2020	8	3	1	6	3	1
2018-19	02.09.2021	5	2	1	5	2	--
2019-20	29.08.2022	6	--	--	6	--	--
Total		**83**	**26**	**11**	**26**	**5**	**2**
Grand Total		**120**			**33**		

From **Table 1.3**, it could be seen that out of 120 paragraphs, explanatory notes to 33 paragraphs were awaited (February 2023).

The status of PAC discussion in respect of Reviews/Paragraphs present in the Audit Reports is shown in **Table 1.4**.

Table 1.4: Reviews/Paragraphs appeared in Audit Reports *vis-à-vis* discussed (as of December 2022)

Period of the Audit Report	Number of paragraphs appeared in Audit Report				Number of paragraphs discussed/yet to be discussed
	Civil	Revenue	Commercial	Total	
2010-11	11	3	2	16	74 paragraphs discussed
2011-12	11	4	2	17	
2012-13	10	3	1	14	
2013-14	9	2	1	12	
2014-15	8	6	1	15	
2015-16	8	2	1	11	46 paragraphs yet to be discussed
2016-17	7	1	1	9	
2017-18	8	3	1	12	
2018-19	5	2	1	8	
2019-20	6	-	-	6	
Total	**83**	**26**	**11**	**120**	

From **Table 1.4**, it may be seen that 46 paragraphs, present in the Audit Reports for the period from 2015-16 to 2019-20 are yet to be discussed by PAC. The compliance position of various Departments to PAC recommendations is shown in **Table 1.5**.

Table 1.5: Compliance to PAC Reports

Year of the PAC Report	Total number of PAC Reports	Total number of recommendations in PAC Report			Number of recommendations where ATNs not received		
		Civil	Revenue	Commercial	Civil	Revenue	Commercial
Up to 2010-11	15	984	50	101	210	12	30
2011-12	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2012-13	1	119	14	21	48	11	15
2013-14	2	84	18	25	65	10	22
2014-15	2	76	31	36	39	17	18
Action Taken Reports on PAC recommendations not received during 2015-16 to 2021-22							
Total	**20**	**1,263**	**113**	**183**	**362**	**50**	**85**
Grand Total		**1,559**			**497**		

As of June 2023, Action Taken Notes on the recommendations made by PAC were pending for Audit Reports since 1988-89. Till 2014-15, Action Taken Notes in respect of 497 recommendations were pending.

1.7 Scope of this Report

This Report of the CAG relates to matters arising from the Audit of eight Government Departments. Chapter II discusses the trend of revenue receipts and response of the Departments/Government towards audit and a Subject Specific Compliance Audit on Department's oversight on GST Payments and Return filing. Chapter III gives an introduction on Public Sector Undertakings and a Compliance Audit on Loss incurring Public Sector Undertakings of Puducherry for the period 2017-18 to 2021-22. Apart from the above, there are also six audit paragraphs. These are discussed in Chapter II and IV. The audit observations discussed in the paragraphs in the chapters are observed from the test-check of records in the selected offices.

CHAPTER II

REVENUE RECEIPTS

CHAPTER II

REVENUE RECEIPTS

2.1 Trend of revenue receipts

2.1.1 The tax and non-tax revenue raised by the Government of the Union Territory of Puducherry and the Grants-in-Aid received from the Government of India (GoI) during the year 2021-22 and the corresponding figures for the preceding four years are mentioned in **Table 2.1**.

Table 2.1: Trend of Revenue receipts

(₹ in crore)

Sl. No.	Category	2017-18	2018-19	2019-20	2020-21	2021-22
I	Revenue raised by the Government					
	(a) Tax revenue	2,805.55	3,188.75	2,475.48	1,947.83	3,236.29
	(b) Non-tax revenue	1,373.73	1,583.89	1,637.54	1,460.02	2,183.95
	Total (I)	**4,179.28**	**4,772.64**	**4,113.02**	**3,407.85**	**5,420.24**
II	Receipts from GoI - Grants-in-Aid	1,823.39	1,627.77	2,668.32	2,482.14	2,438.68
III	Total receipts of the Government (I + II)	6,002.67	6,400.41	6,781.34	5,889.99	7,858.92
IV	Percentage of I to III	70	75	61	58	69

(Source: Finance Accounts of the respective years)

During the year 2021-22, the revenue raised (₹ 5,420.24 crore) by the Union Territory Government was 69 *per cent* of the total revenue receipts as against 58 *per cent* in the preceding year. The balance (₹ 2,438.68 crore) 31 *per cent* of the receipts during 2021-22 was obtained from the GoI as grants-in-aid and contributions.

2.1.2 The details of tax revenue raised during the period from 2017-18 to 2021-22 are given in **Table 2.2**.

Table 2.2: Details of tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2017-18		2018-19		2019-20		2020-21		2021-22		Percentage of increase (+)/ decrease (-) in 2021-22 over 2020-21
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Goods and Services Tax	Nil	851.31	925.00	907.04*	1,723.00	781.54	1,850.00	432.89	2,322.00	1,273.16	(+) 194.11
2	Taxes on Sales, Trade, etc.	1,725.00	1,008.45	1,100.00	632.01	727.00	596.64	700.00	549.21	720.00	655.84	(+) 19.42
3	State Excise	700.00	769.92	800.00	850.81	1,100.00	868.11	850.00	798.12	900.00	1,096.00	(+) 37.32
4	Stamps and Registration Fees	80.00	70.50	100.00	91.89	100.00	87.92	110.00	81.95	90.00	110.72	(+) 35.11
5	Taxes on Vehicles	92.00	104.29	115.00	114.17	125.00	139.60	160.00	84.23	100.00	99.26	(+) 17.84
6	Land Revenue	2.62	1.08	2.62	0.83	2.63	1.67	2.99	1.43	1.99	1.31	(-) 8.39
7	Others	0.38	0.00	0.38	0.00	0.37	0.00	0.01	0.00	0.01	0.00	--
Total		**2,600.00**	**2,805.55**	**3,043.00**	**2,596.75**	**3,778.00**	**2,475.48**	**3,673.00**	**1,947.83**	**4,134.00**	**3,236.29**	

* excluding the incorrectly booked receipt of GST compensation of ₹ 592 crore during 2018-19
(Source: Finance Accounts of the respective years)

The tax revenue increased from ₹ 1,947.83 crore in 2020-21 to ₹ 3,236.29 crore in 2021-22 by ₹ 1,288.46 crore over the previous year. The increase in collection was under Goods and Services Tax (₹ 840.27 crore), Taxes on Sales, Trade (₹ 106.63 crore), State Excise (₹ 297.88 crore), Taxes on Vehicles (₹ 15.03 crore), etc.

2.1.3 The details of non-tax revenue raised during the period from 2017-18 to 2021-22 are given in **Table 2.3**.

Table 2.3: Details of Non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2017-18		2018-19		2019-20		2020-21		2021-22		Percentage of increase (+)/ decrease (-) in 2021-22 over 2020-21
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	1,253.00	1,197.17	1,310.00	1,352.96	1,455.00	1,422.45	1,340.00	1,295.04	1,865.00	2,010.00	(+) 55.21
2	Interest Receipts, Dividends and Profits	72.10	98.90	92.58	95.05	79.07	101.89	113.25	82.83	83.00	102.06	(+) 23.22
3	Medical and Public Health	14.01	16.64	22.63	26.48	27.00	10.96	12.00	17.32	22.00	18.27	(+) 5.48
4	Education, Sports, Art and Culture	2.44	1.25	2.44	6.72	7.00	2.38	3.00	0.75	0.90	0.88	(+) 17.33
5	Crop Husbandry	1.32	1.13	1.32	0.93	1.00	0.98	1.20	0.38	0.45	0.59	(+) 55.26
6	Other receipts	57.13	58.64	98.03	101.75	67.93	98.88	104.55	63.70	84.65	52.15	(-) 18.13
Total		**1,400.00**	**1,373.73**	**1,527.00**	**1,583.89**	**1,637.00**	**1,637.54**	**1,574.00**	**1,460.02**	**2,056.00**	**2,183.95**	

(Source: Finance Accounts of the respective years)

The non-tax revenue increased from ₹ 1,460.02 crore in 2020-21 to ₹ 2,183.95 crore in 2021-22 by ₹ 723.93 crore over the previous year. The

increase was mainly on account of increase of receipts under Power, Interest Receipts, Dividends and Profits, Education, Sports, Art and Culture and Crop Husbandry.

2.2 Audit Planning

The unit offices under various Departments are categorised into A (high), B (medium) and C (low) units according to their revenue position, past trends of audit observations, nature/volume of transactions, etc. The annual audit plan is prepared based on the risk analysis which, *inter-alia*, includes statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years, etc.

During the year 2021-22, the audit universe comprised 40[1] auditable units; out of which, 06[2] units were planned and audited during the year 2021-22, *i.e.,* 15 *per cent* of the total auditable units.

2.3 Response of the Departments/Government towards audit

2.3.1 Inspection Reports

Principal Accountant General (Audit-II), Tamil Nadu and Puducherry arrange periodical inspection of the Government Departments to test-check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are, issued to the Heads of Offices inspected with copies to the next higher authorities for taking corrective action. The Heads of offices/Government are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report compliance to the Office of the Principal Accountant General within one month from the date of issue of the IRs. Serious financial irregularities are also brought to the notice of the Heads of Departments and the Government by the office of the Principal Accountant General.

Inspection Reports issued up to 31 December 2021 disclosed that 893 paragraphs involving ₹ 256.33 crore relating to 247 IRs remained outstanding at the end of June 2022, along with the corresponding figures for the preceding two years, as mentioned in **Table 2.4**.

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1 Sales Taxes - 9 units, Registration - 11 units, Transport - 7 units and Excise - 13 units.

2 Registration units.

Table 2.4: Details of pending IRs

Inspection Reports	June 2020	June 2021	June 2022
Number of outstanding IRs	227	223	247
Number of outstanding audit observations	951	948	893
Amount involved (₹ in crore)	266.93	273.1	256.33

Department-wise details of IRs and audit observations outstanding as on 30 June 2022 and the amounts involved are mentioned in **Table 2.5**.

Table 2.5: Department-wise details of IRs

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	48	175	92.09
2	Registration	88	278	12.96
3	Transport	62	323	9.03
4	Excise	49	117	142.25
Total		**247**	**893**	**256.33**

The large pendency of the IRs due to non-receipt of the replies is indicative of the failure by Heads of Offices and Departments to initiate action to rectify defects, omissions and irregularities pointed out by the Principal Accountant General through the IRs.

2.4 Response of the Registration Department to the issues raised by Audit

To analyse the system of addressing the issues highlighted in IRs/Audit Reports by the Departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department has been evaluated and included in this Audit Report.

The succeeding paragraph discuss the performance of the Registration Department under revenue head '0030' and cases detected in the course of local audit and also the cases included in the Audit Reports during the last 10 years.

2.4.1 Position of Inspection Reports

The summarised position of IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2022 are tabulated in **Table 2.6**.

Table 2.6: Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Additions			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2012-13	59	156	2.71	5	15	0.09	4	1	0.63	60	170	2.17
2013-14	60	170	2.17	7	14	0.06	4	11	0.48	63	173	1.75
2014-15	63	173	1.75	5	28	1.92	3	10	0	65	191	3.67
2015-16	65	191	3.67	5	18	0.26	1	3	0	69	206	3.93
2016-17	69	206	3.93	5	21	0.74	1	7	0	73	220	4.67
2017-18	73	220	4.67	3	11	0.97	2	8	0.14	74	223	5.50
2018-19	74	223	5.50	3	19	3.03	2	7	0.13	75	235	8.40
2019-20	75	235	8.40	5	49	4.69	0	14	0.16	80	270	12.93
2020-21	85	250	11.16	0	0	0	0	0	0	85	250	11.16
2021-22	85	250	11.16	5	50	2.68	0	0	0	90	300	13.84

As against 59 IRs involving 156 paragraphs which were pending at the beginning of 2012-13, the number at the end of 2021-22 is 90 IRs and increased to 300 paragraphs.

2.4.2 Recovery of accepted cases

During the last 10 years up to 2021-22, eight draft paragraphs involving ₹ 281.06 lakh pertaining to Registration Department were included in the Revenue Receipts chapter of the Report of the Comptroller and Auditor General of India, Government of Union Territory of Puducherry. Further, the Department accepted audit observations involving ₹ 171 lakh, but no recovery has been made.

2.5 Results of Audit

During the year upto 2021-22, the Compliance Audit of Registration Department was taken up and observations on Incorrect exemption, Misclassification and other items amounting to ₹ 2.59 crore are detailed in **Table 2.7**.

Table 2.7: Incorrect exemption, Misclassification and other items

Sl. No.	Classification	No. of cases	Amount (₹ in crore)
1	Incorrect exemption	7	1.09
2	Misclassification	3	0.63
3	Others	42	0.87
Total		**52**	**2.59**

2.6 Coverage of this Chapter

This Chapter contains one Subject Specific Compliance Audit on 'Department's oversight on GST Payments and Return filing' and two draft paragraphs in Revenue and Disaster Management Department involving money value of ₹ 1.86 crore.

COMMERCIAL TAXES DEPARTMENT

2.7 Subject Specific Compliance Audit on Department's oversight on GST Payments and Return filing

2.7.1 Introduction

Introduction of Goods and Services Tax (GST) has replaced multiple taxes levied and collected by the Centre and States. GST, which came into effect from 01 July 2017, is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST) are levied on intra-state supplies and Integrated GST (IGST) is levied on inter-state supplies.

Section 59 of the Puducherry Goods and Services Tax Act, 2017 (PGST Act) stipulates GST as a self-assessment-based tax, whereby the responsibility for calculating tax liability, discharging the computed tax liability and filing returns is vested on the taxpayer. The GST returns must be filed online regularly on the common GST portal, failing which penalties will be payable. Even if the business has had no tax liability during a particular tax period, it must file a 'nil' return mandatorily. Further, Section 61 of the Act stipulates that the proper officer may scrutinise the return and related particulars furnished by taxpayers, communicate discrepancies to the taxpayers and seek an explanation.

This Subject Specific Compliance Audit (SSCA) was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Commercial Taxes Department, Puducherry Commissionerate (State Tax), in this new tax regime.

2.7.2 Audit objectives

Audit of 'Department's oversight on GST Payments and Return filing' was taken up with the following audit objectives to seek an assurance on:

- Whether the rules and procedures were designed to secure an effective check on tax compliance and were being duly observed by taxpayers; and
- Whether the scrutiny procedures, internal audit and other compliance functions of the department were adequate and effective.

2.7.3 Audit scope

The scope of audit comprised examination of taxpayers' compliance, scrutiny process and subsequent follow-up carried out by the Department on returns filed by the registered taxpayers. In addition, the SSCA included review of records of a sample of taxpayers for the year 2017-18. The scope of this SSCA also included examination of the functions of selected Divisions.

The period of review of the scrutiny of returns and verification of taxpayers' records was from July 2017 to March 2018 and audit of the functions of selected Divisions covered the period from 2017-18 to 2020-21.

2.7.4 Audit methodology and sample selection

A data driven approach was adopted for planning, as also to determine the nature and extent of substantive audit. The sample for this SSCA comprised a set of deviations identified through data analysis for centralised audit that did not involve field visits; a sample of taxpayers for detailed audit that involved field visits and scrutiny of taxpayer's records at departmental premises; and a sample of Divisions for evaluating the compliance functions of the divisions.

There were three distinct parts of this SSCA as under:

(i) Part I- Audit of Divisions

For the purpose of evaluation of oversight functions, two[3] Divisions with jurisdiction over highest number of selected samples for Detailed Audit were considered as the sample for audit of Divisions.

(ii) Part II - Centralised audit

Audit analysed GST returns data pertaining to 2017-18 as made available at GSTN premises and identified a set of deviations and logical inconsistencies between GST returns filed by taxpayers. A set of 11 parameters were identified such as mismatch of ITC availed between Annual Returns and books of accounts, short payment of interest, etc. Audit selected a sample of 181 high risk cases for assessing the adequacy and effectiveness of the scrutiny procedure of the Department. The audit queries were issued to the respective assessment

[3] Karaikal Division and Goods Division III.

Divisions between February 2022 and April 2022 without further scrutiny of taxpayers' records.

(iii) Part III - Detailed audit

Audit selected 25 cases for detailed audit which involved field visits for verification of records available with the five[4] divisions. Taxpayers' records like returns and related attachments and information were accessed through Divisions for assessing the extent of tax compliance by taxpayers. Audit utilised the access to Boweb Portal provided to the maximum extent feasible to examine data/documents relating to taxpayers (*viz*., registration, tax payment, returns and other departmental functions). Efforts were made to access the relevant granular records from the taxpayers on a risk-based approach such as invoices, etc., through respective Divisions.

Entry conference of this SSCA was held on 07 February 2022 with Commissioner, Commercial Taxes Department (State Tax), Puducherry and other officers of the Department in which the audit objectives, sample selection, audit scope and methodology were discussed. The Exit Conference was held on 04 November 2022 with the Commissioner in which the audit findings were discussed. The written replies to the draft report by the department have been suitably incorporated in the relevant paragraphs.

2.7.5 Audit Criteria

The source of audit criteria comprised the provisions contained in the PGST Act, IGST Act and Rules made thereunder. In addition, the notifications and circulars issued by the Commercial Taxes Department relating to filing of returns, rates of tax on goods and services, payment of tax, availing and utilising ITC, scrutiny of returns, oversight of tax compliance, etc., also formed part of the audit criteria.

2.7.6 Compliance verification mechanism of the department

Five systemic areas were identified for examination in audit *viz.,* (i) effectiveness of scrutiny of returns, (ii) effectiveness of internal audit, (iii) effective use of Business Intelligence and Fraud Analytics (BIFA) reports (iv) action on late-filers and non-filers and (v) cancellation of registration. Accordingly, relevant information was called for from the selected two Divisions. The role of Divisions is to ensure compliance by taxpayers in respect of accuracy of the taxable value declared, calculation and payment of tax liabilities, filing of returns, etc. The Divisions have a broad set of functions to

[4] Goods Division-I, Goods Division-III, Karaikal, Mahe and Service Division.

be exercised in this regard, which were assessed as part of this SSCA. During such verification, the following shortcomings were noticed.

2.7.6.1 Effectiveness of scrutiny of returns

Scrutiny of returns is an important oversight function of the department to ensure compliance to GST provisions.

As per Section 61 of the PGST Act, various returns filed by taxpayers have to be scrutinised by the proper officer to verify the correctness of the returns and suitable action has to be taken on any discrepancies or inconsistencies reflected in the returns. Further, Rule 99 of the PGST Rules, 2017 mandates that the discrepancies, if any, noticed shall be communicated to the taxpayer seeking his explanation. If the explanation offered is found acceptable by the proper officer, the proceeding shall be dropped, the taxpayer shall be informed accordingly and no further action in the matter shall be taken. If, however, the taxpayer does not furnish a satisfactory explanation within 30 days of being informed (extendable by the proper officer) or does not take any corrective action, the proper officer may initiate appropriate action, including the issue of demand notices under Section 73 or Section 74 of the PGST Act.

(a) Audit observed that the scrutiny of returns was conducted up to May 2022 in 114 cases in the selected two divisions (Goods Divisions III and Karaikal Division). However, Audit found that risk-based parameters were not adopted for prioritisation of those cases for scrutiny.

(b) Audit further noticed that Commercial Taxes Department issued the Standard Operating Procedure (SoP) for scrutiny of returns for the year 2017-18 and 2018-19 in May 2022 only *i.e.*, almost five years after roll out of GST.

(c) Audit assessed the scrutiny made by the proper officers in the selected two Divisions and observed that in 114 cases though notices were issued in 91 cases, the department had not taken any action for further follow-up of the discrepancies. In 23 cases, the records/files relating to notices issued were not furnished to Audit.

On this being pointed out (between June and September 2022), the Department intimated (May 2023) recovery of ₹ 0.40 crore in 23 cases. Reply in the remaining 91 cases was awaited (May 2023).

2.7.6.2 Effectiveness of Internal Audit

As per Section 65 of the PGST Act, 2017, the Commissioner or any officer authorised by him, by way of a general or a specific order, may undertake audit of any registered person for such period, at such frequency and in such manner as may be prescribed. Section 2(13) of the PGST Act, 2017, defines "Audit" as the examination of records, returns and other documents maintained or

furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit (ITC) availed and to assess his compliance with the provisions of this Act or the rules made thereunder. Further, departmental action against non-compliant taxpayers is a time bound activity under Section 73 of PGST Act, 2017.

(a) Audit noticed that the Department adopted the Audit Manual issued by the Commercial Taxes Department, Government of Karnataka as guidelines to be followed for conducting audit for the year 2017-18 in October 2021.

(b) Further, Audit noticed that Internal Audit of taxpayers for the year 2017-18 had not been taken up till September 2022. On this being pointed out (February 2022), the Department stated (September 2022) that due to COVID pandemic, it could not be taken up and internal audit of taxpayers would be taken up during 2022-23. Further progress is awaited from the department.

Recommendation: *The Department needs to take prompt steps to undertake internal audit so that timely action could be initiated against the defaulters as in the era of self-assessed tax regime, internal audit is one of the main tools for ensuring compliance by the taxpayers.*

2.7.6.3 Effective use of BIFA reports

The system prevailing in the Department with regard to studying, interpreting and analysing the GST data and sharing the results by generating reports on taxpayers on various risk parameters were called for and it was replied that BIFA (Business Intelligence and Fraud Analytics) Tool is being used by Puducherry state tax authorities for analytics.

BIFA aims to detect tax evasion, empower the policy decision makers, provides real time actionable insights on detection of tax evasion and revenue assurance. It also reduces the revenue leakages and enhances detailed network analysis, audit assessments of suspicious dealers and their detailed trend analysis by the concerned assessing authorities.

(a) Audit requested for the access to BIFA reports in the portal, however the same was not given stating (September 2022) that there was no provision to give access to CAG Audit.

(b) The statistics on number of reports received from BIFA for the years 2019-20 and 2020-21 were furnished to Audit with respect to certain risk parameters[5] (167 cases in Goods division-III for the years 2019-20 and 2020-21). However, the details of action taken on the same were not furnished.

[5] on discrepancies in respect of GSTR-3B Vs GSTR-1, GSTR-3B Vs GSTR-2A, GSTR-3B Vs RCM and GSTR-3B Vs E-way bills.

Thus, Audit could not ascertain whether timely and appropriate action was taken on the BIFA reports.

Recommendation: *The department may provide access to BIFA reports to Audit and ensure timely action on BIFA reports to avoid leakage of revenue.*

2.7.6.4 Action on late-filers and non-filers

Section 46 of the PGST Act read with Rule 68 of the PGST Rules stipulates issue of a notice in Form GSTR-3A requiring filing of return within fifteen days if the taxpayer had failed to file the return within the due date. As per Section 62, in case the taxpayer fails to file the returns even after such notice, the proper officers may proceed to assess the tax liability of the said person to the best of their judgment, taking into account all the relevant material which is available or gathered and issue an assessment order in Form ASMT-13. The Department issued the Standard Operating Procedure (SoP) for non-filers of returns in January 2020.

Audit noticed in 59 out of 472 cases in one Division that the taxpayers had not filed the returns consecutively for six months. However, the department did not initiate any action regarding assessment and cancellation of registration in these cases.

On this being pointed out (July 2022), the department stated (May 2023) that cancellation proposals have been initiated in 35 cases, the registrations have been kept under suspension in 15 cases and registration had been cancelled in nine cases.

2.7.6.5 Cancellation of registration

Rule 22(3) of the PGST Rules provides that where a person who has submitted an application for cancellation of his registration is no longer liable to be registered or his registration is liable to be cancelled, the proper officer shall issue an order in Form GST REG-19, within a period of thirty days from the date of application submitted under Rule 20. Section 29 of the PGST Act stipulates conditions for cancellation of registration, including suo motu cancellation of registrations of taxpayers who have not filed returns for six consecutive months (three consecutive tax periods for composition taxpayers). Section 45 of the PGST Act read with Rule 81 of the PGST Rules specify that any person whose registration was cancelled should file Final Return in Form GSTR-10 within three months of the date of cancellation or date of order of cancellation, whichever is later.

The mechanism of monitoring return filing and initiating action for cancellation in a time-bound manner was reviewed and the following was observed:

(a) Delays in cancellation

The cancellation order in REG-19 has to be issued within 30 days from the date of application of cancellation (taxpayers request). During 2017-18 to 2020-21, Audit noticed that in 431 cases (Goods Division III - 277; Karaikal Division-154) out of 739 cases (Goods Division III-290; Karaikal Division-449), the cancellations were delayed beyond the stipulated period ranging from 1 to 1,030 days.

On this being pointed out (between June and August 2022), the department stated (September 2022) that the delay in issue of cancellation orders in respect of 277 cases was due to delayed receipt of remarks from the Jurisdictional Tax Officer to the Registration Cell. Reply in remaining 154 cases was awaited.

Audit is of view that lack of co-ordination between the officers of the department had resulted in inordinate delay in cancellation of registration.

(b) Inadequacies noticed in cancellation of registration

In 18 out of the 518 *suo motu* cancelled cases, as per the records of the Jurisdictional Tax Office (Karaikal Division), taxpayers were shown as 'Active' in GST portal. Audit observed that all the 18 cancelled taxpayers are still filing the returns (up to March 2023). Further in one case, it was found that the registration of the taxpayer had been cancelled with effect from 1 July 2017, however, taxpayer had filed the GSTR-3B returns up to September 2018 and there was undischarged tax liability of ₹ 0.53 crore and excess claim of ITC of ₹ 0.98 crore for the year 2017-18.

On this being pointed out (June 2022), the department stated (May 2023) that in one case *suo motu* cancellation was initiated on 5 April 2019 and SCN was issued to the dealer in Form GST DRC-01 for recovery of tax dues. Reply in the remaining 18 cases was awaited (May 2023).

(c) Inadequate follow-up on non-filing of GSTR-10

Audit noticed that in two selected Divisions, 1,858 taxpayers cancelled their registration either by request or *suo motu* by the proper officer during the period covered by audit, but GSTR-10 was not filed by 26 taxpayers even after completion of three months from the date of cancellation for which no action was taken by the proper officers. Audit further checked all of these 26 cases of cancelled taxpayers returns and it was noticed that there was a tax liability of ₹ 0.65 crore (**Appendices 2.1** and **2.2**). On this being pointed in audit (between June and July 2022), the department stated (May 2023) that the notices had been issued in 24 cases. Reply was awaited in remaining two cases.

Recommendation: *The department may strengthen the monitoring mechanism to ensure that due diligence is followed in procedures for cancellation and recovery. The work of Jurisdictional Tax office and the Registration Cell of the*

department may be effectively coordinated to avoid delay in cancellation of registration.

2.7.7 Centralised Audit (Part II)

Audit analysed GST returns data pertaining to 2017-18 as made available by GSTN. Rule-based deviations and logical inconsistencies between GST returns filed by taxpayers were identified on a set of 11 parameters, which can be broadly categorised into two domains - ITC and Tax payments.

Out of the 13 prescribed GST returns[6], the following basic returns that apply to normal taxpayers were considered for the purpose of identifying deviations, inconsistencies and mismatches between GST returns/data:

- GSTR-1: monthly return furnished by all normal and casual registered taxpayers making outward supplies of goods and services or both and contains details of outward supplies of goods and services.
- GSTR-3B: monthly summary return of outward supplies and input tax credit claimed, along with payment of tax by the taxpayer to be filed by all taxpayers except those specified under Section 39(1) of the Act. This is the return that populates the credit and debits in the Electronic Credit Ledger and debits in Electronic Cash Ledger.
- GSTR-6: monthly return for Input Service Distributors providing the details of their distributed input tax credit and inward supplies.
- GSTR-8: monthly return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST, introduced in October 2018.
- GSTR-9: annual return to be filed by all registered persons other than an Input Service Distributor (ISD), Tax Deductor at Source/Tax Collector at Source, Casual Taxable Person and Non-Resident taxpayer. This document contains the details of all supplies made and received under various tax heads (CGST, SGST and IGST) during the entire year along with turnover and audit details for the same.
- GSTR-9C: annual audit form for all taxpayers having a turnover above ₹ 5 crore in a particular financial year. It is basically a reconciliation

[6] GSTR-1, GSTR-3B, GSTR-4 (taxpayers under the Composition scheme), GSTR-5 (non-resident taxable person), GSTR-5A (Non-resident OIDAR service providers), GSTR-6 (Input service distributor), GSTR-7 (taxpayers deducting TDS), GSTR-8 (E-commerce operator), GSTR-9 (Annual Return), GSTR-10 (Final return), GSTR-11 (person having UIN and claiming a refund), CMP-08 and ITC-04 (Statement to be filed by a principal/job-worker about details of goods sent to/received from a job-worker).

statement between the annual returns filed in GSTR-9 and the taxpayer's audited annual financial statements.

- GSTR-2A: a system-generated statement of inward supplies for a recipient. It contains the details of all B2B transactions of suppliers declared in their Form GSTR-1/5, ISD details from GSTR-6, details from GSTR-7 and GSTR-8 respectively by the counterparty and import of goods from overseas on bill of entry, as received from ICEGATE Portal of Indian Customs.

2.7.7.1 Audit findings based on Data Analysis

The data analysis pertaining to Puducherry Commissionerate on the 11 identified parameters and the extent of deviations/inconsistencies observed are summarised in **Table 2.8**.

Audit selected a sample of 181 cases from among the top deviations/ inconsistencies in each of 11 parameters for the year 2017-18. The audit queries were issued to the respective Divisions between February 2022 and April 2022 without further scrutiny of taxpayer's records. The audit check in these cases was limited to verifying the Department's action on the identified deviations/mismatches. The department replied in all cases.

Table 2.8: Summary of data analysis and extent of mismatches (Centralised audit)

Sl. No.	Parameter	Algorithm used	Number of deviations/ mismatches	Amount of mismatches/ deviations (₹ in crore)
Domain: ITC				
D1	ITC mismatch between GSTR-2A and GSTR-3B	ITC available as per GSTR-2A with all its amendments was compared with the ITC availed in GSTR-3B in Table 4A(5) (accrued on domestic supplies) excluding the reversals Table 4B(2), but including the ITC availed in the subsequent year 2018-19 from Table 8C of GSTR-9.	25	17.97
D2	ITC availed under RCM vs payment of tax in GSTR-3B/GSTR-9	RCM payments in GSTR-3B Table 3.1(d) was compared with ITC availed in GSTR-9 Table 6C, 6D and 6F. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B-tax discharged in Table 3.1(d) *vis-à-vis* ITC availed Table 4A(2) and 4A(3).	25	4.18
D3	Short payment of tax under RCM vs ITC availed in GSTR-3B/ GSTR-9	RCM payments in GSTR-9 Table 4G (tax payable) was compared with ITC availed in GSTR-9 Table 6C, 6D and 6F (ITC availed). In cases where GSTR-9 was not available, RCM payment in GSTR-3B Table 3.1(d) was compared with GSTR-3B 4(A)(2) and 4A(3). Greater of difference in GSTR-9 and GSTR-3B considered where both were available.	9	0.31
D4	Incorrect availment of ISD credit	ISD transferred in GSTR-9 Table 6G or GSTR-3B Table 4(A)(4) was compared with the sum of Table 5A, Table 8A and Table 9A of GSTR-6 of recipient GSTINs.	10	11.82

Sl. No.	Parameter	Algorithm used	Number of deviations/ mismatches	Amount of mismatches/ deviations (₹ in crore)
D5	Mismatch of ITC availed between Annual returns and books of accounts	Positive figure in GSTR-9C Table 12F and examination of reasons provided in Table 13 for mismatch	10	11.08
D6	Reconciliation between ITC availed in Annual returns with expenses in financial statements	Positive figure in GSTR-9C Table 14T and examination of reasons provided in Table 15 for mismatch.	12	56.07
Domain: Tax payment				
D7	Mismatch in turnover declared in GSTR-9C Table 5R	Negative figure in GSTR-9C Table 5R and examination of reasons provided in Table 6 for mismatch.	25	1,903.17
D8	Mismatch in taxable turnover declared in GSTR-9C Table 7G	Negative figure in GSTR-9C Table 7G and examination of reasons provided in Table 8 for mismatch.	20	116.90
D9	Mismatch in tax paid between books of accounts and returns	Negative figure in GSTR-9C Table 9R and examination of reasons provided in Table 10 for mismatch.	25	2.91
D10	Unsettled liabilities	The greater of tax liability between GSTR-1 (Tables 4 to 11) and GSTR-9 (Tables 4N, 10 and 11) was compared with tax paid details in GSTR-3B Tables 3.1(a) and 3.1(b). In cases where GSTR-9 was not available, GSTR-3B tax paid was compared with GSTR-1 liability. The amendments and advance adjustments declared in GSTR-1 and 9 were duly considered.	10	10.01
D11	Short payment of interest	Interest calculated at the rate of 18 *per cent* on cash portion of tax payment on delayed filing of GSTR-3B *vis-à-vis* interest declared in GSTR-3B.	10	0.85

2.7.7.2 Summary of deficiencies noticed during Centralised Audit

Based on responses received from the Department to the Audit Queries, the extent to which each of the 11 parameters translated into compliance deviations is summarised in **Table 2.9**.

Table 2.9: Summary of deviations/mismatches

(₹ in crore)

Audit Dimension	Cases where response received		Department reply is acceptable to Audit		Compliance deviations									
					Recovery made or SCN issued		ASMT-10[7] issued		Notice[8] issued		Department's reply not acceptable to Audit		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
ITC Mismatch (D1)	25	17.97	11	9.49	--	--	2	0.65	--	--	12	7.82	14	8.47
RCM ITC availed (D2)	25	4.18	21	3.64	3	0.29	1	0.25	--	--	0	0	4	0.54
RCM payment (D3)	9	0.31	8	0.28	--	--	--	--	1	0.03	0	0	1	0.03
ISD ITC Mismatch (D4)	10	11.82	9	5.50	1	6.32	--	--	--	--	--	--	1	6.32
12F- Excess ITC (D5)	10	11.08	10	11.08	--	--	--	--	--	--	--	--	--	--
14T Ineligible ITC(D6)	12	56.07	12	56.07	--	--	--	--	--	--	--	--	--	--
5R Total Turnover (D7)	25	1,903.17	23	1,899.49	--	--	1	1.20	1	4.00	0	--	2	5.20
7G Taxable Turnover (D8)	20	116.90	18	116.74	--	--	2	0.15	--	--	0	--	2	0.15
9R - Tax paid (D9)	25	2.91	14	1.69	4	0.16	--	--	2	0.05	5	0.19	11	0.40
Unsettled Liability (D10)	10	10.01	5	5.71	1	0.41	--	--	2	2.65	2	0.39	5	3.45
Interest Short paid (D11)	10	0.85	1	0.08	3	0.35	1	0.06	5	0.36	--	--	9	0.77
Total[9]	**181**	**115.20**	**132**	**93.53**	**12**	**7.53**	**7**	**0.96**	**11**	**3.09**	**19**	**8.40**	**49**	**19.98**

Audit noticed deviations from the provisions of the Act in 49 cases involving an amount ₹ 19.98 crore constituting 27 *per cent* of the 181 cases, inconsistencies/mismatches in data, for which the Department provided responses. Out of this, department has accepted the audit observations or initiated action in 30 cases with tax effect of ₹ 11.58 crore **(Appendix 2.3)**. In 19 cases, reply of the department is not acceptable to Audit. Relatively higher rates of deviations were noticed in risk parameters such as ITC mismatch and undischarged tax liability. In 132 cases constituting 73 *per cent* of replies, where the department's reply was acceptable to Audit, data entry error by taxpayers comprised 59 cases, department had proactively taken action in 26 cases and 47 cases had other valid explanations (**Appendix 2.4**).

2.7.7.3 Centralised Audit – Reasons for deviations/mismatches noticed during data analysis

Considering the Department's response to the audit sample of 181 cases pointed out by the Audit, reasons for mismatch/deviations were identified as (a) deviations from GST law and rules, (b) Inconsistencies/mismatches not

7 Notice for intimating discrepancies in the return after scrutiny.

8 Nature of notice issued has not been communicated by the department.

9 5R & 7G unreconciled turnover has not been taken into account in total summation.

accepted by the Department but rebutted by Audit, (c) data entry errors by taxpayers and (d) action taken before issue of audit queries. These reasons alongwith observations thereon are discussed in the succeeding paragraphs.

(a) Deviations from GST law and rules

Out of 181 deviations summarised in **Table 2.9**, the Department has accepted the audit observations or initiated action in 30 cases with tax effect of ₹ 11.58 crore. Out of these cases, the Department has recovered ₹ 0.76 crore in nine cases and issued SCN in three cases for ₹ 6.77 crore. Form ASMT-10/Notice conveying the discrepancies to the taxpayers were issued in 18 cases for ₹ 4.05 crore. The top five cases accepted or where action was initiated by the department amounted to ₹ 9.70 crore. Top case under each dimension is illustrated below:

(i) Excess ITC availed (D1)

GSTR-2A is a purchase related dynamic form that is automatically generated for each business by the GST portal, whereas GSTR-3B is a monthly return in which summary of outward supplies along with ITC declared and payment of tax are self-declared by the taxpayer.

To analyse the veracity of ITC utilisation, relevant data were extracted from GSTR-3B, GSTR-9 and GSTR-2A for the year 2017-18 and the ITC paid as per suppliers' details was matched with the ITC credit availed by the taxpayer.

Audit observed that in case of an assessee (34XXXXXXXXXX1ZV), under Service Division Puducherry, the ITC available as per GSTR-2A was ₹ 4.17 crore whereas the ITC availed in Table 4A(5) of GSTR-3B was ₹ 4.51 crore (including the ITC of ₹ 1.53 crore availed in the subsequent year 2018-19 from Table 8C of GSTR-9 and excluding the reversals in Table 4B(2) of GSTR-9 of ₹ 0.02 crore). This resulted in mismatch of ITC availed amounting to ₹ 0.34 crore, which was communicated to the Department (February 2022). In response, the Department stated (May 2023) that the ASMT -10 had been issued to the taxpayer.

(ii) Excess availment of ITC on RCM (D2)

Under Reverse Charge Mechanism (RCM), the liability to pay tax is on the recipient of goods or services instead of the supplier or provider in respect of certain categories of goods or services or both under Section 9(3) or Section 9(4) of the PGST Act, 2017 and under sub-section (3) or sub-section (4) of Section 5 of the IGST Act, 2017.

GSTR-9 is an annual return to be filed once for each financial year, by the registered taxpayers who were regular taxpayers, including SEZ units and SEZ developers. The taxpayers are required to furnish details of purchases, sales, input tax credit or refund claimed or demand created, etc.

To analyse the veracity of ITC availed on tax paid under RCM for the year 2017-18, the datasets pertaining to GSTR-3B and annual return GSTR-9 were compared to check whether the ITC availed on RCM was restricted to the extent of tax paid. In cases where GSTR-9 was not available, the check was restricted within GSTR-3B where the tax discharged part in R3B Table 3.1(d) was compared with the ITC availing part of R3B 4A(2)[10] and 4A(3)[11].

Audit observed that in case of an assessee (34XXXXXXXXXX1Z9), under Service Division Puducherry, the tax payable under RCM in Table 3.1(d) of GSTR-3B was ₹ 0.01 crore and the ITC availed in Tables 4A(2) and 4A(3) of GSTR-3B was ₹ 0.26 crore resulting in mismatch of ITC availed amounting to ₹ 0.25 crore which was communicated to the Department (February 2022). In response, the Department stated (May 2023) that ASMT-10 had been issued to the taxpayer.

(iii) Irregular availing of ITC by recipient on ISD credit (D4)

To analyse whether the ITC availed by the taxpayer is in excess of that transferred by the Input Service Distributor (ISD), ITC availed as declared in the returns of the taxpayer was compared with the ITC transferred by the ISD in their GSTR-6.

In case of an assessee (34XXXXXXXXXX1ZZ) under Goods Division III Puducherry, Audit observed that the ITC availed in Table 6G of GSTR-9 was ₹ 32.54 crore whereas the ITC transferred by the ISD in Table (5A+8A+9A) of GSTR-6 was ₹ 26.22 crore. Therefore, mismatch of ₹ 6.32 crore was communicated to the Department in April 2022. In response, the Department stated (May 2023) that the taxpayer, without filing TRAN 1 application, had wrongly availed the credit of ₹ 6.32 crore through GSTR-3B. Subsequently, the taxpayer filed revised TRAN 1 (November 2022) to avail input tax credit of ₹ 6.32 crore as CGST credit. Since the CGST portion of the transitional credit has to be verified and certified by the counterpart jurisdictional tax officer for central tax, as per circular dated 10 November 2022, the TRAN-1 was forwarded to them for verification. After verification they have certified that the taxpayer is not eligible to the transitional CGST credit claimed for ₹ 6.32 crore. Based on their report, the Goods Division III, Puducherry issued an order raising demand for ₹ 6.32 crore to the taxpayer.

(iv) Unreconciled turnover in Table 5R of GSTR-9C (D7)

The certified reconciliation statement submitted by the taxpayer as required under Rule 80(3) of PGST Rules, 2017, in Form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in turnover reported in the Annual Return *vis-à-vis* the Financial Statements.

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[10] Import of services.

[11] Inward supplies (liable to reverse charge).

The unreconciled amount in cases where the turnover declared in GSTR-9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of supplies leading to evasion or short payment of tax. It could also be a case of non-reporting of both taxable and exempted supplies.

In respect of a taxpayer (34XXXXXXXXXX1ZL) under Mahe Division, Audit noticed that a difference in total turnover as declared in Table 5R of GSTR-9C amounting to ₹ 4.00 crore was communicated to the Department in February 2022. In response, the Department stated (May 2023) that the dealer was taken up for internal audit under section 65.

(v) Unreconciled taxable turnover in Table 7G of GSTR-9C (D8)

Table 7 of GSTR-9C is the reconciliation of taxable turnover. Column 7G of this table captures the unreconciled taxable turnover between the annual return GSTR-9 and that declared in the financial statements for the year after the requisite adjustments.

The certified reconciliation statement submitted by the taxpayer as required under the rule 80(3) of PGST Rules in Form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in taxable turnover reported in the Annual Return *vis-à-vis* the Financial Statements. The unreconciled amount in cases where the turnover in GSTR-9 is less than the financial statement indicates non-reporting, under-reporting, short-reporting, omission, error in reporting of taxable supplies. It could also be on account of non-reporting of both taxable and exempted supplies.

In respect of a taxpayer (34XXXXXXXXXX1Z6) under Service Division, Puducherry, Audit noticed a difference in taxable turnover as declared in Table 7G of GSTR-9C amounting to ₹ 0.09 crore which was communicated to the Department in February 2022. In response, the Department stated (May 2023) that ASMT-10 had been issued to the taxpayer.

(vi) Unreconciled tax liability in Table 9R of GSTR-9C (D9)

The certified reconciliation statement submitted by the taxpayer as required under rule 80(3) of PGST Rules in Form GSTR-9C for the year 2017-18 was analysed at data level to review the extent of identified mismatch in tax paid between the annual return and the books of account. Table 9 of the Form 9C attempts to reconcile the tax paid by segregating the turnover rate-wise and comparing it with the tax discharged as per annual return GSTR-9. The unreconciled amounts could potentially indicate tax levied at incorrect rates, incorrect depiction of taxable turnover as exempt or *vice versa* or incorrect levy of CGST/UTGST/IGST. There can also be situations wherein supplies/tax declared are reduced through amendments (net of debit notes/credit notes) in respect of the 2017-18 transactions carried out in the subsequent year from

April to September 2018. Consequential interest payments-both short payments and payments under incorrect heads-also need to be examined in this regard.

Unreconciled payment of tax declared in Table 9R of GSTR-9C, amounting to ₹ 0.07 crore in case of a taxpayer (34XXXXXXXXXX1ZB), under Goods Division II Puducherry, was identified by Audit and communicated to the Department (February 2022). In response, the Department stated (May 2023) that an amount of ₹ 0.07 crore was recovered and notice had been issued for interest.

(vii) Short declaration of tax liability (D10)

GSTR-1 depicts the monthly details of outward supplies of goods or services. The details are also assessed by the taxpayer and mentioned in annual return GSTR-9 in the relevant columns. Further, taxable value and tax paid thereof are also shown in GSTR-3B.

To analyse the undischarged tax liability, relevant data were extracted from GSTR-1 and GSTR-9 for the year 2017-18 and the tax payable in these returns was compared with the tax paid as declared in GSTR-9. The amendments and advance adjustments declared in GSTR-1 and 9 were also considered for this purpose. Where GSTR-9 was not available, a comparison of tax payable between GSTR-1 and tax paid in GSTR-3B was resorted to.

In respect of a taxpayer (34XXXXXXXXXX1ZG), under Goods Division I Puducherry, the tax payable as per GSTR-1 was ₹ 0.42 crore and as per GSTR-9 was ₹ 2.70 crore. The greater of the tax liability declared in GSTR-9 of ₹ 2.70 crore, was compared with the tax paid as declared in Tables 9 and 14 of GSTR-9 (₹ 0.42 crore). This resulted in mismatch of tax liability amounting to ₹ 2.27 crore which was communicated to the Department in February 2022. In response, the Department stated (May 2023) that notice had been issued to taxpayer.

(viii) Short payment of interest (D11)

Section 50 of the Act stipulates that every person liable to pay tax in accordance with the provisions of the Act or the rules made thereunder, but fails to pay the tax or any part thereof to the Government within the period prescribed, shall for the period for which the tax or any part thereof remains unpaid, pay interest at the rate notified.

The extent of short payment of interest on account of delayed remittance of tax during 2017-18 was identified using the tax paid details in GSTR-3B and the date of filing of the GSTR-3B. Only the net tax liability (cash component) has been considered to work out the interest payable.

Audit observed that in case of a taxpayer (34XXXXXXXXXX1ZV), under Goods Division III Puducherry, the Returns (GSTR-3B) were filed belatedly.

This resulted in non-payment of interest amounting to ₹ 0.27 crore which was communicated (February 2022) to the Department. In response, the Department stated (May 2023) that an amount of ₹ 0.27 crore had been recovered.

(b) Inconsistencies/mismatches not accepted by the Department but rebutted by Audit

Out of the audit sample of 181 cases of mismatches/inconsistencies, the Department did not accept 19 cases amounting to ₹ 8.40 crore. Audit, however, did not agree with the contention of the Department in these cases and had issued rebuttals (**Appendix 2.5)**. Two illustrative cases are given below:

Audit observed that in case of a taxpayer (34XXXXXXXXXX1ZS), under Goods Division III Puducherry, the ITC available as per GSTR-2A was ₹ 165.44 crore and the ITC availed in Table 4A(5) of GSTR-3B was ₹ 167.74 crore (including the ITC of ₹ 3.58 crore availed in the subsequent year 2018-19 from Table 8C of GSTR-9). This resulted in mismatch of ITC availed amounting to ₹ 2.30 crore which was communicated to the Department (February 2022). In response, the Department stated (May 2023) that the mismatch was due to IGST on imports not captured and reflected in the GSTR-2A. The reply of the department is not acceptable since the Audit has not considered the imports of Goods (4A(1) of GSTR-3B) while considering the mismatch.

Similarly, in another case, it was observed that a taxpayer (34XXXXXXXXXX1ZK) under Goods Division III Puducherry, had ITC available under GSTR-2A of ₹ 51.60 crore whereas the ITC availed in Table 4A (5) of GSTR-3B was ₹ 65.09 crore (including the ITC ₹ 0.84 crore availed in the subsequent year 2018-19 from Table 8C of GSTR-9 and excluding reversals of ₹ 12.29 crore). This resulted in mismatch of ITC availed amounting to ₹ 1.19 crore which was communicated to the Department (February 2022). In response, the Department stated (May 2023) that there was no excess ITC as imports were not taken into account. The reply of the department is not acceptable since the Audit has not considered the imports of goods (4A(1) of GSTR-3B) while considering the mismatch.

(c) Data entry errors by taxpayers

The data entry errors constituted 32 *per cent* (59 cases) of the cases where responses were received from the department. These data entry errors did not have any revenue implication. Most of the errors relate to risk dimensions of ITC availed under RCM, incorrect availing of Input Service Distributor credit and unreconciled taxable turnover (provided in GSTR-9C). An illustrative case is given in the succeeding paragraph.

A deviation amounting to ₹ 4.15 crore was identified as unreconciled ITC in Table 14T of GSTR-9C in respect of a taxpayer (34XXXXXXXXXX1ZS) under Goods Division II Puducherry by Audit and communicated to the

Department (February 2022). On receipt of Department's reply (June 2022), it was seen that the deviation was caused due to a typographical error in the GSTR-3B return. The taxpayer wrongly entered ITC under 'ISD' instead of 'all other ITC' (Table 4A-5).

The CAG's Report No. 5 of 2022 on Union Government Department of Revenue (Indirect Taxes-Goods and Services Tax) had also highlighted data quality issues and significant inconsistencies in the GST data due to which Audit could not establish reliability of data for finding audit insights and trends. The Report had recommended that the Union Ministry should consider introducing appropriate validation controls (controls to prevent unreasonable data entries and/or alert the taxpayer to unreasonable data) supplemented by post-facto data analytics in respect of important data elements.

Recommendation: *The Department may take up the matter with the GST Council to insert adequate validation controls in the GST portal to curb data entry errors, enhance taxpayer compliance and facilitate better scrutiny.*

(d) Action taken before issue of Audit Queries

As summarised in **Table 2.9**, the Department had already taken action in 26 cases, constituting 14 *per cent* of the 181 responses received. The top two Divisions which had proactively addressed the deviations/inconsistencies are indicated in **Table 2.10**.

Table 2.10: Action taken before query-Division-wise

Division	Action taken before Audit Query	Type of action taken by the Department	Total sampled cases
Goods Division III	7	Excess ITC/RCM reversed in two cases; tax/interest recovered in three cases; wrong GSTIN by the supplier which was rectified during August 2018 in one case; difference was due to transitional credit of earlier period which was verified and found correct in one case.	61
Service Division	6	Tax recovered in four cases; shifted to normal levy and did not avail e-commerce facility during 2017-18 in one case; excess ITC-RCM reversed in one case.	32

2.7.8 Detailed Audit (Part III)

In a self-assessment regime, the onus of compliance with law is on the taxpayer. The role of the Department is to establish and maintain an efficient tax administration mechanism to provide oversight. With finite level of resources, for an effective tax administration to ensure compliance with law and collection of revenue, an efficient governance mechanism is essential. An IT driven compliance model enables maintaining a non-discretionary regime of governance on scale and facilitates a targeted approach to enforce compliance.

From an external audit perspective, Audit also focused on a data-driven risk-based approach. Thus, apart from identifying inconsistencies/deviations in GST

returns through pan-India data analysis, a detailed audit of GST returns was also conducted as a part of this review. A risk-based sample of 25 taxpayers was selected for this part of the review. The methodology adopted was to initially conduct a desk review of GST returns and financial statements filed by the taxpayers and other records available in the back-end system to identify potential risk areas, inconsistencies/deviations and red flags. Based on desk review results, detailed audit was conducted by requisitioning corresponding granular records of taxpayers such as financial ledgers, invoices, etc., to identify reasons for the identified risks and to evaluate compliance by taxpayers.

2.7.8.1 Scope limitation

In spite of requisitions and follow-up, the Puducherry Commissionerate did not produce any taxpayers' granular records in five out of the sampled 25 cases. Thus, 20 *per cent* of the sample could not be audited. Further, in the remaining 20 cases (80 *per cent*) granular records such as invoices, agreement copies, debit and credit notes, ledgers, etc., were partially produced. Thus, Audit could not assess eligibility of ITC claimed and extent of unsettled tax liability, which constituted a significant scope limitation. Audit, however, ascertained during the Division Audit that scrutiny of two cases (out of 14) falling under two selected Divisions (Goods Division III and Karaikal) was undertaken by the Department.

The jurisdiction wise non-production of records is summarised in **Appendix 2.6**. The potential risk of ₹ 1.79 crore owing to mismatches in data could not be addressed in audit due to non-production of records.

The jurisdiction-wise partial production of records is summarised in **Appendix 2.7**. The identified risk relating to mismatch of ITC and undischarged tax liability of ₹ 33.32 crore could not be examined in detail by Audit due to partial production of records.

In respect of the non-production of the granular records, potential risk in assessing the eligibility of ITC claimed and extent of undischarged tax liability could not be ruled out. Audit also identified the potential risk of mismatch of ITC claimed and undischarged liability amounting to ₹ 33.32 crore. Audit further noticed that these cases with risk exposure were also not adequately selected for scrutiny by the Department.

2.7.8.2 Results of detailed Audit

The audit findings are categorised under three categories *viz*., (a) returns, (b) utilisation of input tax credit and (c) discharge of tax liability.

(a) Audit findings relating to GST returns

(1) Non-levy of Late fee/Penalty for non-filing of Annual Return

As per Section 47(2) of CGST and PGST Acts, 2017, any registered person who fails to furnish the return required under Section 44 by the due date shall be liable to pay a late fee of two hundred rupees (₹ 100 CGST and ₹ 100 PGST) for every day, during which such failure continues subject to a maximum of an amount calculated at a quarter *per cent* of his turnover in the State. Further, any person, who contravenes any of the provisions of this Act or any rules made thereunder for which no penalty is separately provided for in this Act, shall be liable to a penalty which may extend to twenty-five thousand under Section 125 of CGST/PGST Act. This provision is applicable for non-filing of reconciliation statement in Form GSTR-9C along with the annual return. As per Notification No. 6/2020-CT dated 3 February 2020, the extended due date for filing annual return in respect of Puducherry for the year 2017-18 was 7 February 2020.

Audit observed that in three out of 20 cases where the granular records were partially provided, the taxpayers had not filed the Annual Return GSTR-9 and GSTR-9C for the year 2017-18. Late fee at ₹ 200 per day is leviable for the delay in filing of annual return from 8 February 2020 with penalty under Section 125 of CGST/PGST for non-filing of reconciliation statement in GSTR-9C.

On this being pointed out (between April and August 2022), the Department intimated (November 2022 and May 2023) the recovery of ₹ 0.50 lakh in one case. Reply in the remaining two cases is awaited (May 2023).

(2) Non-levy of late fee for delayed filing of Annual Returns GSTR-9/9C

Audit observed that in three out of 20 cases where the granular records were partially provided, the taxpayers had filed the Annual Return GSTR-9 belatedly ranging between 328 and 455 days. However, late fee of ₹ 0.02 crore was not levied.

On this being pointed out (between April and August 2022), the department intimated (May 2023) recovery of ₹ 0.02 crore in all cases.

(b) Audit findings relating to availing of ITC

Input Tax Credit (ITC) means the Goods and Services Tax (GST) paid by a taxable person on purchase of goods and/or services that are used in the course or furtherance of business. To avoid cascading effect of taxes, credit of taxes paid on input supplies can be used to set-off for payment of taxes on outward supplies.

Section 17(5) of the Act provides a list of goods and supplies on which the ITC cannot be availed except when the outward taxable supply is of the same

category of services. Rule 36 to 45 of the PGST Rules prescribes the procedures for availing and reversal of ITC. Audit findings relating to availing of ITC are discussed in the subsequent paragraphs:

(1) Non-reversal/Short reversal of ITC

Exempt supply, as per Section 2(47) of the Act, means supply of any goods or services or both which attracts 'nil' rate of tax or which may be wholly exempt from tax under Section 11 or under Section 6 of the Integrated Goods and Services Tax Act and includes not-taxable supply.

Section 17(2) of the Act read with Rule 42 and 43 of the Rules states that where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.

Audit observed non-compliance in six cases out of 20 cases, where the granular records were partially provided, where taxpayers had either not reversed or short reversed ITC of ₹ 1.26 crore on account of exempted supplies (**Appendix 2.8**). Two illustrative cases are given in the succeeding paragraphs:

(i) An assessee (34XXXXXXXXXX1ZW) falling under Karaikal division is a deep water port developed on build, operate and transfer format under public private partnership in terms of the concession awarded by the Government of Puducherry. The port is handling diverse cargo such as coal, sugar, cement, fertilisers, etc. Audit observed that the taxpayer had made exempt supplies during 2017-18 for ₹ 14.02 crore. However, the ITC reversal in lieu of common inputs/input services for taxable and exempted/nil supplies was made only to the tune of ₹ 0.15 lakh. This had resulted in non-reversal of ITC of ₹ 0.57 crore along with interest as applicable.

On this being pointed out (May 2022), the Department stated (May 2023) that notice had been issued to the taxpayer.

(ii) A taxpayer (34XXXXXXXXXX1Z2) falling under Karaikal division is engaged in the manufacture of ingots, billets and TMT bars. Audit observed that the taxpayer had made exempt supplies during 2017-18 for ₹ 3.11 crore. However, the ITC reversal in lieu of common inputs/input services for taxable and exempted/nil supplies was not made. This had resulted in non-reversal of ITC of ₹ 0.37 crore along with interest as applicable. On this being pointed out (May 2022), the Department stated (May 2023) that notice had been issued to the taxpayer.

(2) Mismatch in claim of ITC as noticed from GST returns

When Audit analysed the GSTR-2A data of selected taxpayers along with GSTR-3B, GSTR-9 and GSTR-9C filed by the taxpayers, there was mismatch

of ITC among various Returns and Tables. Audit could not examine these mismatches in detail since relevant granular records such as invoices were not produced by the department. However, the details of mismatches pointed out by Audit were replied to by the department in some cases, which are given in **Table 2.11**.

Table 2.11: Details of mismatches in claim of ITC as noticed from GST returns pointed out by Audit and replies of the department

Sl. No.	Risk parameter	No. of Cases	No. of Divisions	Amount of mismatches (₹ in crore)	Remarks
1	ITC mismatch between GSTR-2A and GSTR-3B. The ITC available as per GSTR-2A was ₹ 90.72 crore, but the ITC availed by the taxpayers as per GSTR-3B was ₹ 111.31 crore.	15	4	20.54	When these cases were pointed out to the Department (April 2022), it stated (May 2023) that in eight cases notice/ASMT-10 have been issued involving an amount of ₹ 1.76 crore. In one case, the department admitted the objection and in another case, it intimated the recovery of ₹ 5 lakh. In two cases, the department stated that the taxpayers availed transitional credit involving an amount of ₹ 10.35 crore. The reply is not relevant since Audit had intimated the mismatch between GSTR-2A and 3B. Further reply is awaited from the department. In one case, the department stated that on verification of the returns filed by the taxpayer, it is seen that actually there is an excess ITC in GSTR-2A when compared to the ITC taken as per GSTR-3B. The reply of the department is not acceptable since the department had not considered the ITC availed in the subsequent years under Table 8C of GSTR-9. In two cases, the reply is awaited (May 2023).
2.	Mismatch in ITC availed as per Table 8D of GSTR-9. Table 8D of GSTR-9 captures the difference in ITC as per GSTR-2A and GSTR-3B at the time of filing GSTR-9.	10	5	2.20	When these cases were pointed out (March 2022), the department stated (May 2023) that in seven cases involving an amount of ₹ 1.14 crore, notices[12] had been issued. In one case, it stated that the case had been referred to internal audit involving an amount of ₹ 0.75 crore. In one case involving ₹ 0.10 crore, it stated that difference was due to IGST on imports not captured in GSTR-2A. The reply of the department is not acceptable since Audit has not considered the imports of Goods (4A(1) of GSTR-3B) while quantifying the mismatch. In one case the reply is awaited.

[12] Out of 7 instances, in 3 cases ASMT-10 were issued and in 4 cases nature of the notice has not been communicated.

Sl. No.	Risk parameter	No. of Cases	No. of Divisions	Amount of mismatches (₹ in crore)	Remarks
3.	Unreconciled ITC as per Table 12F of GSTR-9C. Table 12F of GSTR-9C captures the difference between total ITC as computed from the books of account (Table 12D) and ITC as declared in the GSTR-9.	2	2	0.06	When these cases were pointed out (March 2022), the department stated (August 2022 and May 2023) that notices[13] have been issued.
4.	Mismatch in ITC availed under RCM Table 3.1(d) of GSTR-3B (₹ 1.04 crore) which contains the details of inward supplies that are liable to reverse charge was compared with RCM ITC shown in Table 6C, 6D and 6F of GSTR-9 (₹ 1.26 crore).	1	1	0.22	When this case was pointed out (March 2022), the department intimated (November 2022) recovery of ₹ 0.22 crore.
5.	Mismatch in ITC availed under RCM. Table 3.1(d) of GSTR-3B which contains the details of inward supplies that are liable to reverse charge was compared with RCM ITC availed in Table 4A(2) and 4A (3) of GSTR-3B.	1	1	0.05	This case was brought to the notice of the department in April 2022, the reply is awaited (May 2023).

(c) Audit findings relating to discharge of tax liability

The taxable event in case of GST is supply of goods and/or services. Section 9 of the PGST Act is the charging section authorising levy and collection of tax called Central/State Goods and Services Tax on all intra-State supplies of goods or services or both, except on supply of alcoholic liquor for human consumption, on value determined under section 15 of the Act *ibid* and at such rates not exceeding 20 *per cent* under each Act, *i.e.,* CGST Act and PGST Act. Section 5 of the IGST Act vests levy and collection of IGST on inter-state supply of goods and services with Central Government.

(1) Mismatches relating to undischarged tax liabilities

Audit scrutinised the returns GSTR-1, GSTR-3B and GSTR-9 filed by the taxpayers for the year 2017-18 and compared the tax liability furnished in the Returns. Audit could not examine these mismatches in detail since relevant granular records were not produced by the department. Audit scrutiny in these

[13] Out of 2 instances, ASMT-10 was issued in one case and in other nature of notice has not been communicated.

cases was limited to pointing out mismatches to the department and examination of replies where received. The details are given in **Table 2.12**.

Table 2.12: Details of mismatches relating to undischarged tax liabilities

Sl. No.	Risk parameter	No. of Cases	No. of Divisions	Amount of mismatches (₹ in crore)	Remarks
1.	Tax liability mismatch between GSTR-1, GSTR-9 and GSTR-3B. The tax liability based on the greater of the amounts furnished in the two returns (GSTR-1, GSTR-9) was found to be ₹ 73.44 crore as against actual payment through GSTR-9 of ₹ 62.15 crore.	5	4	10.79	When these cases were pointed out (between April and June 2022), the department stated (May 2023) that in two cases involving an amount of ₹ 10.44 crore notice had been issued. In one case, it intimated recovery of ₹ 0.02 crore. In one case, it stated that tax liability was discharged and interest of ₹ 0.19 crore was collected. In one case where it was pointed out a mismatch of ₹ 10.15 crore, the department stated that as per GSTR-1 the tax liability is only ₹ 10.05 crore. Even accepting the department reply still there was a shortfall of ₹ 0.14 crore as tax paid shown in GSTR-9 was only ₹ 9.91 crore.
2.	Tax liability mismatch between GSTR-1 and GSTR-3B. Tax liability as per GSTR-1 was of ₹ 0.26 crore but the tax paid as per GSTR-3B was ₹ 0.13 crore.	2	2	0.13	When these cases were pointed out (April 2022), the department stated (May 2023) that notices had been issued involving an amount of ₹ 0.13 crore.
3.	Mismatch in tax paid between books of accounts and returns in Table 9R of GSTR-9C.	2	2	0.12	When these cases were pointed out (between March and June 2022), the department intimated (August 2022 and May 2023) recovery of ₹ 0.11 crore in one case and in another case, it stated that the case was referred to internal audit.
4.	Mismatch in Turnover declared in GSTR-9C Table 5R of ₹ 4.27 crore. Table 5R of GSTR-9C provides information regarding the reconciliation of gross Turnover declared in Annual return (GSTR-9) with the audited Annual Financial statements.	4	4	4.27[14]	When these cases were pointed out (between March and June 2022), the department stated (May 2023) that in two cases, notice/ASMT-10 have been issued. In one case, the department stated that turnover was reconciled, differential tax paid and notice was issued for interest. In other case, it stated that the taxpayer was a dealer in non-GST products. The reply is not acceptable since in the GSTR-9 (Table 5F) return, non-GST supply is shown as zero.

[14] Turnover Mismatch.

2.7.9 Conclusion

The Subject Specific Compliance Audit (SSCA) on Department's Oversight on GST Payments and Return Filing was undertaken with the objective of assessing the adequacy of the systems in monitoring return filing and tax payments, extent of compliance by the taxpayers and other departmental oversight functions.

This SSCA was predominantly based on data analysis, which highlighted risk areas, red flags and in some cases rule-based deviations and logical inconsistencies in GST returns filed for 2017-18. The SSCA entailed assessing the oversight functions of Puducherry Commissionerate at two levels - at the data level through global data queries and at the functional level with a deeper detailed audit both of the Divisions and of the GST returns, which involved accessing taxpayer records. The audit sample therefore comprised two Divisions, 181 high value inconsistencies across 11 risk parameters selected through data analysis and 25 taxpayers selected on the basis of risk assessment for detailed audit of GST returns for the year 2017-18.

The review of two divisions in respect of their compliance verification functions disclosed deficiencies in discharge of functions such as scrutiny of returns, internal audit, usage of BIFA reports, timely action on late filers/non-filers and cancellation of taxpayer registrations.

Out of the total number of 181 data inconsistencies identified by Audit, 49 cases constituting 27 *per cent*, turned out to be clear compliance deficiencies with a revenue implication of ₹ 19.98 crore. A relatively higher rate of deficiencies was noticed in risk parameters such as ITC mismatch and short payment of tax. While data entry errors caused the mismatches/inconsistencies in 33 *per cent* of the cases, in 14 *per cent* of the cases, the Department had already taken proactive action.

As regards detailed audit of 25 taxpayers' returns, granular records such as financial statements, supplementary financial ledgers, etc., were not produced in five cases and in the rest of 20 cases, the granular records were produced partially. These cases represent a potential risk exposure of ₹ 35.11 crore towards identified mismatches in ITC availment and tax payments. Out of the cases audited either fully or partially, Audit observed compliance deficiencies with a revenue implication of ₹ 1.26 crore relating to non/short reversal of ITC.

2.8 Loss of Revenue

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

2.8.1 Non-remittance of Stamp Duty

Failure to ensure the remittance of the concessional stamp duty availed by the women beneficiaries who violated the conditions resulted in non-remittance of stamp duty of ₹ 96.09 lakh.

Government of Puducherry granted[15] (December 2004) remission of 50 *per cent* of stamp duty to the women member(s) acquiring property through conveyance, exchange or gift, either individually or severally. The remission was subject to the condition that the beneficiary shall not create/execute any instrument, including power of attorney within five years of registration of the instrument, in favour of any male member, except mortgage to Government/Nationalised banks/Registered Co-operative Societies. It was also instructed that all the registering officers shall invariably affix a seal on the original deed, including duplicate/certified copies wherever issued, regarding the availment of the concession.

Scrutiny of documents registered in the four[16] registration offices during the period April 2018 to March 2021, revealed non-compliance to the conditions governing the grant of remission of stamp duty, as mentioned below.

- In 19 cases, mortgage deeds were executed in favour of banks, other than Nationalised Banks/Registered Co-operative Societies within five years of acquiring the property.
- In eight cases, instruments of power in favour of male members were executed within five years from the date of registration of instrument through which the concession was granted.

Since the conditions subject to which the remission of stamp duty was granted, were not adhered to, the women beneficiaries were required to remit the amount of concession availed by them. The registering officers, while registering the subsequent instruments, however, failed to ensure the same. This resulted in non-remittance of stamp duty of ₹ 96.09 lakh as per details in **Appendices 2.9** and **2.10**.

After this being pointed out in Audit (January 2022 to March 2022), the Sub-Registrar, Karaikal stated that notice was served to the owner of the

[15] Revenue Department/Government of Puducherry order No. 8834/Rev-C3/2004 dated 17 December 2004.

[16] District Registrar-Puducherry, Sub-Registrar-Karaikal, Sub-Registrar-Oulgaret, Sub-Registrar-Villianur.

property instructing them to remit the concessional amount. Sub-Registrar, Oulgaret stated that the details mentioned in the audit observation had been forwarded to the District Registrar, Puducherry as the women purchasers would have paid the remission amount in the head office and on receipt of details from the head office, detailed reply would be sent in due course. Further report regarding recovery was awaited (December 2022).

The observation was reported to the Government in January 2023 and reminder was issued in March 2023. Reply is awaited (March 2023).

***Recommendation**: The Government should ensure that (i) the concessional stamp duty availed by the registrants is recovered and the responsibility on the concerned officials for the omission is fixed; and (ii) the e-Pathiram software should have a feature to correctly implement the provisions contained in the Government order dated 17 December 2004.*

2.8.2 Short collection of Stamp Duty and Registration fee

Failure of Registering Officers to levy Stamp duty and Registration fees on lease deed as per the provisions of the IS Act and Registration Act led to short collection of Stamp duty and Registration fees amounting to ₹ 89.61 lakh.

As per Article 35 of the Indian Stamp Act read with Pondicherry Registration (Amendment) Rules 1969, the lease document attracts Stamp Duty at 2.25 *per cent* and Registration fee at 0.5 *per cent* on the total sum of annual average rent plus 5 *per cent* on advance.

Scrutiny of lease agreements (February and July 2022) in two Sub-Registrar (SR) offices[17], entered between the Deputy Commissioner of Excise Department and the individual lessees for the period between July 2018 and June 2019, revealed that the lease agreements had been executed declaring the 'Consideration Price' as 'Zero'. Though Registration fee was calculated at 0.5 *per cent* on the annual rental value for the lease, however, Stamp duty of ₹ 20 only was collected which was not in order. As the lease deeds attracts Stamp duty payable on annual average rental value, the same should have been levied accordingly. Thus, Stamp duty should have been collected at 2.25 *per cent* on the lease rental value along with GST at 18 *per cent* on the annual lease rent value and the Registration fee should also have been levied accordingly. Hence, there was short collection of Stamp duty and Registration fee amounting to ₹ 89.61 lakh[18] as detailed in **Appendix 2.11**.

On this being pointed out (February and July 2022), the Sub-Registrar, Karaikal replied (February 2022) that notice was served to the lessee and the outcome

[17] Sub-Registrar, Karaikal (7 cases) and Sub-Registrar, Thirunallar (8 cases).

[18] Sub-Registrar, Karaikal - ₹ 23,96,194 and Sub-Registrar, Thirunallar - ₹ 65,65,135.

would be intimated in due course. The SR, Thirunallar replied (March 2022) that the audit observation would be examined and detailed reply would be sent in due course. Further reply is awaited (March 2023). The matter was reported to the Government (December 2022) and reply is awaited (March 2023).

***Recommendation**: The Government should ensure that (i) the short collection of Stamp duty and Registration fees are collected from the lessees and the responsibility on the concerned officials for the omission is fixed; and (ii) a validation check to levy Stamp duty and Registration fees on lease documents as per the IS Act and Registration Act should be incorporated in e-Pathiram software particularly for the cases where consideration value is disclosed as 'zero'.*

CHAPTER III

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER III

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

3.1 Public Sector Undertakings of Government of Union Territory of Puducherry

There were 12 Public Sector Undertakings (PSUs) in Union Territory of Puducherry as on 31 March 2022. Out of these 12 PSUs, four PSUs *viz*., Puducherry Agro Services and Industries Corporation Limited (PASIC), Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO), Puducherry Road Transport Corporation Limited (PRTC) and Puducherry Tourism Development Corporation Limited (PTDC) which were incurring losses were taken up for Compliance Audit to analyse the reasons for their losses and to suggest remedial measures.

3.2 Compliance Audit on Loss incurring Public Sector Undertakings of Puducherry for the period 2017-18 to 2021-22

3.2.1 Introduction

There were 12 Public Sector Undertakings (PSUs) in Union Territory of Puducherry as on 31 March 2022 which were incorporated under the Companies Act, 2013 and hence, coming under the audit purview of the Comptroller and Auditor General of India. Out of these 12 PSUs, three PSUs[1] are having positive net worth, three[2] PSUs are functioning with social objectives and are under the control of Social Welfare Department. The operations of two textile PSUs[3] were already closed during April 2020 and September 2020 respectively. The remaining four PSUs *viz*., Puducherry Agro Services and Industries Corporation Limited (PASIC), Puducherry Agro

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1 Puducherry Power Corporation Limited (PPCL), Puducherry Industrial Promotion and Development of Industries Corporation Limited (PIPDIC) and Puducherry Distilleries Limited (PDL).

2 Puducherry Adi Dravidar Development Corporation Limited (PADCO), Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDC) and Puducherry Corporation for Women Development and Differently Abled Persons Limited (PCWDDAP).

3 Puducherry Textile Corporation Limited (PTC) and Swadeshee-Bharathee Textile Mills Limited (SBTML).

Products, Food and Civil Supplies Corporation Limited (PAPSCO), Puducherry Road Transport Corporation Limited (PRTC) and Puducherry Tourism Development Corporation Limited (PTDC) were incurring losses. The accumulated loss in these four PSUs as on 31 March 2022 was ₹ 388.51 crore. A Compliance Audit was taken up to analyse the reasons for the continuous losses in these four PSUs and to suggest remedial measures.

3.2.2 Audit Objectives

The Compliance Audit was carried out with the objectives to ascertain whether:

- Planning existed for identification of loss centres/potential losses and cause-wise analysis of losses;
- The PSUs have carried out operational activities efficiently so as to minimise their losses; and
- Corporate governance and internal control mechanism were in place for improving the financial results and the role of the Government in providing fiscal support impacted reduction of losses in the PSUs.

3.2.3 Audit Criteria

The following sources were considered for the audit criteria in carrying out the Compliance Audit:

- Annual Reports of PSUs;
- Minutes and Agenda of Board Meetings of PSUs;
- Government Orders/Notifications/Circulars and Directions;
- Industrial Disputes Act,1947;
- Orders and circulars issued by PSUs and
- MIS reports.

3.2.4 Scope of Audit and methodology

Performance Audit on the functioning of PAPSCO was included in the Audit Report for the year ended 31 March 2004 and discussed on 03 February 2011 by the Committee on Public Accounts (PAC). Out of fourteen recommendations given by PAC, Action Taken Notes to six recommendations are awaited.

Similarly, the Performance Audit on PRTC was included in the Audit Report for the year ended 31 March 2009 and discussed on 23 July 2013 by the PAC. Out of fifteen recommendations of PAC, Action Taken Notes to twelve

recommendations are awaited. The status of recommendations of PAC in respect of both the PSUs are given in **Appendix 3.1**.

The present Compliance Audit on the selected four PSUs was conducted covering the period from 2017-18 to 2021-22. The Entry Conference was conducted with the Government/PSUs on 13 September 2022 in which the audit objectives, scope, methodology was explained. Audit examination involved scrutiny of records maintained at Secretariat of the Government, Head Office of the respective PSUs and their field offices (Divisions).

The audit findings were reported to the Union Territory Government in December 2022. An Exit Conference was held on 29 March 2023 with the Secretary to Government (Finance)-cum-Development Commissioner, the Government of the Union Territory of Puducherry and the Heads of respective PSUs. The views expressed in the Exit Conference along with the replies received from the Government (February/March 2023), were considered and suitably incorporated in the Report.

Audit findings

The findings of the Compliance Audit are discussed in the subsequent paragraphs.

3.2.5 Puducherry Agro Services and Industries Corporation Limited (PASIC)

PASIC was incorporated in 1986 and is under the administrative control of Agriculture Department of Union Territory of Puducherry with the primary objective of supplying of agriculture inputs such as fertilisers, pesticides, agricultural tools and implements. PASIC also ventured into production and sale of bio-fertilisers and compost to farmers, horticulture, selling of fruits and vegetables and production and sale of mineral water. It later diversified its business into trading in Indian Made Foreign Liquor (IMFL) (referred as 'liquor products').

3.2.5.1 Organisational Structure

The Management of PASIC was vested with the Board of Directors (BoD) comprising Chairman, Managing Director (MD) and Directors appointed by the UT Government of Puducherry. The Managing Director who is the Chief Executive of the PSU, is assisted by Assistant General Manager (Inputs), Managers of functional units *viz*., Accounts, Audit, Administration, EDP, Legal and various Business units.

3.2.5.2 Financial Performance

The financial performance of PASIC for the period 2017-18 to 2021-22 is as given in **Table 3.1**:

Table 3.1: Financial performance of PASIC for the period 2017-18 to 2021-22

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue from operations	28.71	6.66	0.02	Nil	2.24
Other income	2.09	0.83	5.66	1.81	3.10
Total Revenue	30.80	7.49	5.68	1.81	5.34
Total Expenses	44.63	24.35	20.07	20.53	22.57
Loss for the year	(-) 13.83	(-) 16.86	(-) 14.39	(-) 18.72	(-) 17.23
Grant-in-Aid	1.08	0.20	5.24	1.50	4.50
Grant-in-Aid to Revenue (in percentage)	04	03	92	83	84

(Source: Details furnished by the PSU (provisional))

From **Table 3.1**, it could be seen that the revenue from operations decreased from ₹ 28.71 crore in 2017-18 to 'Nil' in 2020-21 as PASIC stopped its operations in July 2018 for want of funds and working capital. PASIC resumed its operations in August 2021, with low level of business and the revenue increased to ₹ 2.24 crore in 2021-22. Thus, the loss during the above period increased from ₹ 13.83 crore (2017-18) to ₹ 17.23 crore (2021-22) and the accumulated loss was ₹ 156.35 crore as on 31 March 2022 (provisional).

Audit observed that PASIC sustained losses continuously due to delay in closure of unviable Agro depots, non-review of manpower requirements leading to retention of excess manpower, under-utilisation of Bio-fertiliser, Pesticide and Garbage Compost Units, non-continuation of supply of vegetables on wholesale basis, non-utilisation of liquor licences and opportunity foregone in revenue maximisation due to non-availment of wholesale margin for liquor products, etc., which are detailed in subsequent paragraphs.

3.2.5.3 Operational Management

(a) Delay in closure of unviable Agro Depots

Purchasing agro inputs such as fertilisers, pesticides, agricultural tools and implements from manufacturers and distributing them to farmers through agro depots is one of the main activities of PASIC. There are 43 Agro Depots[4] in the Union Territory of Puducherry.

[4] 28 in Puducherry, 12 in Karaikal, 1 in Mahe and 2 in Yanam.

As the cultivable area of agricultural lands shrunk from 30,000 to 15,000 Hectares, PASIC identified (September 2013) 28 unviable Agro Depots and the Board decided (February 2014) to close the unviable Agro Depots. The above directions were not complied with as only three depots were closed during 2014-15. Audit noticed that the Expert Committee appointed by the Government recommended (September 2018) for closure of remaining depots. Audit observed that PASIC took more than four years to implement the same, as the remaining 25 depots were closed in January 2020 only and due to delay in closure of the depots resulted in an avoidable expenditure and loss to PASIC by ₹ 22.89 crore (2014-20).

Government replied (February 2023) that on account of implementation of Direct Benefit Transfer of financial assistance to the beneficiaries and low margin involved, the Agro Depots were running into losses and PASIC had closed 25 depots in January 2020 and there was cost savings to the extent of ₹ 2.50 crore per annum.

The reply was not tenable as the decision to close down unviable Agro Depots was taken during February 2014, but implemented only in January 2020, resulting in aforesaid avoidable loss.

(b) Underutilisation of Bio-Fertiliser-cum-Pesticide Unit and Garbage Compost Unit

PASIC has established Bio-Fertiliser and Pesticide Unit (1996) and Garbage Compost Unit (2000) for production and sale of Bio-fertiliser/pesticide (50 MTs) and Garbage Compost units (4,000 MTs) respectively.

For fixation of sales price under unit costing method, PASIC stipulated its own capacity utilisation[5] norms at 70 *per cent* and 75 *per cent* for Bio-Fertiliser/Pesticide and Garbage Compost Units respectively for recovery of cost of operation with 10 *per cent* profit margin.

Audit noticed that the production capacity of Bio-Fertiliser/Pesticide Unit and Garbage Compost Unit were utilised to the extent of only 14 and 21 *per cent* and 10 and 55 *per cent* respectively during 2017-18 and 2018-19[6].

It was further noticed that the Government of Puducherry and the Government of India had been implementing schemes for promotion of organic farming by encouraging usage of Bio-Fertilisers, Bio-Pesticides and Garbage Compost. PASIC failed to avail the aforesaid business opportunities leading to

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5 Capacity utilisation refers to ability to produce per annum.

6 No operations in Bio-fertilisers during the remaining periods of 2019-22 and no operations of compost unit during 2019-21 and utilisation of only 1.79 *per cent* capacity during 2021-22.

non-achievement of its own norms, resulting in forgoing revenue to the extent of ₹ 2.14 crore[7].

Government replied (February 2023) that the production and sale of the bio-products have commenced on a small scale and would be improved through a market study and market penetration. The reply is not tenable as these units were functioning for more than 25 years.

(c) Non-achievement of Breakeven level in Mineral Water Plant and lack of adequate marketing

PASIC found a good water resource in its farm and decided to produce mineral water for commercial purposes. Hence, PASIC commenced (1992) the production of 'Puducherry Mineral Water' by using water that contained minerals in natural form.

In order to recover the cost of production, break-even point[8] needs to be achieved in any business. Audit independently worked out that 49 *per cent* capacity utilisation is required to achieve break-even level for the mineral water plant. However, Audit observed that the actual capacity utilisation ranged between 12 and 20 *per cent* only during 2017-19.

Audit noticed that Puducherry Tourism Development Corporation Limited (PTDC), a sister PSU had purchased mineral water from private agencies for their day-to-day operation of business. Audit observed that PTDC purchased one litre mineral water bottle at ₹ 11 from private agencies whereas PASIC sells the same to bulk consumers at ₹ 9 per bottle only. In case, PASIC had sales arrangement with PTDC for sale of mineral water, it would have benefitted both the PSUs as stated below:

- The cost of purchase for PTDC would be reduced by ₹ 2 per bottle (₹ 11-₹ 9);
- The capacity utilisation of PASIC would have been increased to the extent of additional sales to PTDC.

Audit further noticed that Puducherry Road Transport Corporation Limited (PRTC), a sister PSU had carried passengers ranging between 64 lakh and 193 lakh during 2017-18 to 2021-22 (Refer **Table 3.8**). In case, PASIC had tie up arrangement with PRTC, it could have sold mineral water bottles to atleast 11 *per cent* of passengers travelled and earned additional revenue of ₹ 2.00 crore (6.67 lakh passengers x ₹ 15 per bottle x 2 years).

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[7] Revenue forgone (2017-19) @ 70 *per cent* capacity for Bio-fertiliser-₹ 1.28 crore and @ 75 *per cent* capacity for Compost-₹ 0.86 crore totaling to ₹ 2.14 crore.

[8] Breakeven point is the level at which total cost and total revenue are equal.

Audit further observed that the selling price of one litre bottle was ₹ 20 in the open market whereas PASIC was able to sell at ₹ 15 per bottle. Considering the cheaper price offered by PASIC in the market, its failure to tap the market potential had resulted in non-achievement of breakeven level. Thus, the continued non-achievement of breakeven level resulted in non-absorption of fixed cost and led to a loss of ₹ 1.98 crore during 2017-19. Moreover, the plant was not operational for want of working capital for the remaining three years ending 2021-22[9].

Government replied (February 2023) that there was cut-throat competition from MNCs and PASIC had been taking efforts to gradually step-up production and distribution and also explore the possibility of exports for effective marketing and business expansion.

Failure to capture opportunities in sister PSU indicate the lack of corporate and marketing strategy.

(d) Non continuation of supply of vegetables on wholesale basis by Horticulture segment

PASIC was purchasing vegetables and fruits from wholesale and selling them at outlets. It has nine outlets. Out of this, one air conditioned outlet is not functioning since 2019-20 due to paucity of funds. PASIC has also been supplying vegetables and fruits to various Government Departments and agencies. The profitability of the Horticulture segment during the five years ending 2021-22 is tabulated in **Table 3.2**:

Table 3.2: Performance of the Horticulture segment during 2017-22

(₹ in crore)

Horticulture, Vegetable and Fruit Outlets	2017-18	2018-19	2019-20	2020-21	2021-22
Income from Operations	7.32	0.79	--	--	0.26
Expenditure					
Cost of Inputs	4.92	0.33	0.00	0.00	0.17
Establishment Cost	2.01	2.01	2.31	2.66	3.06
Total Expenditure	6.93	2.34	2.31	2.66	3.23
Profit/Loss	0.39	(-) 1.55	(-) 2.31	(-) 2.66	(-) 2.97

(Source: Details received from the PSUs/Annual Accounts of PSUs)

From **Table 3.2**, it could be seen that the income level in 2017-18 was ₹ 7.32 crore which drastically had reduced by the end of 2020-21. During the period 2019-20 to 2020-21 *i.e.*, during the pandemic period, the cost of inputs and the income from operations were 'Nil', which had shown marginal improvement in 2021-22. It was further observed that failure of PASIC to

[9] During 2021-22, the plant was operational only for 4 months since December 2021.

sustain wholesale supply to the Government Departments resulted in a loss of ₹ 9.10 crore[10] during the period 2017-22.

Government replied (February 2023) that various measures such as cultivation of vegetables in the own farmlands have been encouraged by PASIC since August 2021. It further stated that efforts are being made to get major orders from Education Department and other institutions.

The reply confirmed the fact that institutional supplies by PASIC was the only solution for turning around from the losses, but the same was not taken up.

(e) Non-utilisation/non-renewal of Liquor licences

In order to improve the financial position of PASIC, the Government of Puducherry had given licences to deal with liquor products. The Excise Department, Government of Puducherry provided PASIC with one wholesale licence and 20 retail licences.

Audit noticed that the wholesale licences authorised PASIC to procure liquor products directly from the manufacturers. By using the above licence, PASIC can earn a margin of 30 *per cent* on cost price. Audit observed that PASIC, instead of procuring liquor products directly from the manufacturers, it procured from other wholesale licensees and thereby lost an opportunity to earn ₹ 3.57 crore (2017-19). Further, the payment of ₹ 0.44 crore (at the rate of ₹ 0.22 crore per annum) for renewal for the above period became infructuous. The reason for non-utilisation was not on record.

As against 20 retail licences, PASIC availed 17 licences (three not availed) but used only nine licences upto June 2018 and kept 11 licences idle throughout the audit period.

Audit observed that out of nine licences, PASIC renewed (April 2019) six licences for 2019-20, but did not operate the same. This resulted in infructuous expenditure of ₹ 0.60 crore[11] as licence fee.

During March 2018, PASIC proposed to Government for auctioning of the licences to private vendors. However, all the above licences were not renewed from 2020-21 by PASIC and approval of the Government was awaited (February 2023).

Government replied (February 2023) that PASIC could not avail wholesale margins and renew Licences due to want of funds for working capital and for advance payments to suppliers. Further, PASIC has submitted proposals for

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[10] Loss of ₹ 1.55 crore (2018-19) + Loss of ₹ 2.31 crore (2019-20) + Loss of ₹ 2.66 crore (2020-21) + Loss of ₹ 2.97 crore (2021-22)-Profit of ₹ 0.39 crore (2017-18) = ₹ 9.10 crore.

[11] 6 No. of Retail Licences x ₹10 lakh per annum.

running the Licences through modes of Joint Venture or PPP or Agent-cum-Vendor.

The reply was not tenable as PASIC itself was not using Wholesale Licence for more than 10 years without any justification. This aspect assumes significance in the context of the fact that PASIC has been given liquor licences only to improve financial position. PASIC failed to fulfil the Government's mandate of maximising revenue and prevent Corporate Sickness.

(f) Non-rationalisation of manpower

PASIC had incurred losses due to continued engagement (February 2018) of manpower without proper assessment. In this connection, Audit noticed that an Expert Committee, appointed in June 2017, had recommended (September 2018) *inter alia,* to close unviable agro depots and to identify ideal manpower size of PASIC. Based on these recommendations, PASIC submitted a proposal to the Government (November 2018) after studying various aspects such as manpower assessment, closure of divisions, identification of lands, liquor licences and modalities thereof for asset monetisation etc.

Earlier a reference was made in the Report of the Comptroller and Auditor General of India - Government of Union Territory of Puducherry for the year ended 31 March 2018 wherein it was mentioned to review the manpower requirement on realistic basis. However, Audit observed that even after a lapse of four years of the above reporting by the Audit and also by the Expert Committee, no strategic action plan was drawn up for implementation of above recommendations to improve the performance by restructuring, optimisation of manpower, asset monetisation (February 2023) to turnaround performance of PASIC.

Further, Audit observed that PASIC did not take any initiative to review the manpower requirements on realistic basis so as to weed out excess employees and minimize the salary and wages expenditure on those employees.

Government replied (February 2023) that as and when the fund position improves optimum manpower size would be identified and implemented. The reply is not tenable as no concrete action was taken by the Government/ Management of PASIC for the last four years to weed out the excess employees.

(g) Non-laying off manpower during suspended period

Sections 2 (j), 2(kkk), and 25C of the Industrial Disputes Act, 1947 provides for lay off of regular staff and to reduce the salary liability by 50 *per cent*. PASIC decided (June 2018) to suspend its activities for a period of six months

or till the receipt of funds in respect of the properties proposed to be disposed off whichever is earlier and the said period to be treated as "No Work No Pay" to curtail further cash losses to PASIC.

Subsequently, PASIC did not exercise the legal option of lay off for regular staff and contract employees under Industrial Disputes Act, 1947 and also made provision of ₹ 12.13 crore (July 2018 to March 2022) in their provisional accounts towards payment of wages to the contract employees.

Audit observed that the failure of PASIC to lay off during the suspended period led to an extra expenditure of ₹ 29.07 crore towards salary to regular employees in addition to commitment to pay ₹ 12.13 crore to contract employees thereby incurring avoidable manpower cost to the extent of ₹ 41.20 crore.

Government replied (February 2023) that PASIC did not have funds to operationalise lay off or retrenchment. It also added that as and when the fund position improves, optimum manpower size would be identified and implemented.

The fact, however, remained that non-implementation of the decision taken in 2018 led to increase in the manpower liabilities during the period from 2018-22 even after receipt of Grant-in-Aid of ₹ 5.24 crore during 2019-20.

(h) Non-disbursal/remittance of Employee Benefits

As a good employer, a PSU is expected to disburse salary to its employees regularly. Audit noticed that in PASIC, the disbursement of salaries had been inconsistent since July 2011. Further, the entitlement to employees in terms of basic salary that prevailed as on 30 June 2013 was frozen.

However, Audit observed that employee benefits were not paid regularly. PASIC has incurred a liability to pay an amount of ₹ 80.23 crore to the employees towards the salaries and wages for 59 months[12]. Besides, there was a liability of ₹ 26 crore due to partial disbursement of salaries and wages for 56 months to them for the period from May 2013 to October 2018 (upto March 2022). Further, the outstanding liabilities on leave encashment and premium payable towards gratuity for the period from 2010-11 to 2021-22 was ₹ 7.20 crore and ₹ 1.80 crore respectively. PASIC was also liable to pay EPF dues of ₹ 6.13 crore to Employee Provident Fund Organisation till March 2022.

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[12] July 2011 to March 2012: 9 months, July 2013 to March 2014: 9 months, November 2018 to March 2019: 5 months, April 2019 to March 2020: 12 months, April 2020 to March 2021: 12 months, April 2021 to March 2022: 12 months (total 59 months).

(i) Non-monetisation of land at Tuthipet

PASIC was having a land of 3.17 acres at Tuthipet. Out of 3.17 acres, it leased a portion of the land measuring 7,500 square feet to a private firm (M/s Srivari Engineering and Co.) in March 2006 on a monthly lease rent of ₹ 14,000 which was revised to ₹ 16,000 per month from April 2008.

Subsequently, the tenant had encroached the entire area of land and hence, the agreement with the above firm was terminated (April 2013). Audit observed that PASIC did not take any action to lease the land by entering into a new lease agreement for the last nine years, resulting in loss of revenue to the extent of ₹ 1.77 crore during the five year period ending 2021-22.

Government replied (February 2023) that a detailed study is being made to set up a suitable Food Processing Industry under Centrally Sponsored Scheme.

However, the fact remained that PASIC did not initiate any action to generate revenue even after lapse of about nine years of termination of the previous agreement.

3.2.5.4 Internal Control

(a) Lack of Budgetary Control

Budgetary control, as a tool for monitoring, reduces wastage and losses and serves as basis for performance evaluation by the top level management. Accordingly, the Board of PASIC decided (October 2014) to institute a system of Budgetary Control from the Financial year 2015-16 by integrating the Sales, Production and Administrative Expenses Budget into a Master Budget to improve the working of the organisation. Audit observed that the above decision was not put into action (February 2023), which affected the Corporate/Strategic Planning and resulted in Corporate Sickness.

Government replied (February 2023) that PASIC was not able to implement Budgetary Control as a monitoring mechanism due to lack of managerial staff.

The reply is not tenable. The budgetary control being an integral part of the performance evaluation should have been primarily done with the available manpower so as to keep a track on the wastages and losses.

(b) Diversion of Grant-in-Aid

Government of Puducherry through the Department of Agriculture had sanctioned Grant-in-Aid to PASIC for creation of an "Agriculture Input Revolving Fund (AIRF)" during 2011-12 for procurement and distribution of agricultural inputs to the farming community. Audit observed that the amount of ₹ 6.19 crore accumulated in the fund was diverted by PASIC during 2017-22 from the aforesaid fund (AIRF Bank Account) for its working capital.

The PASIC replied that the fund in the AIRF would be recouped in due course of business.

Further, an amount of ₹ 2 crore deposited (2004-06) with the PASIC for distribution of Agricultural land/Agriculture Implements to the landless Scheduled Caste Farmers was also diverted (2010-11) towards payment of salaries and wages. PASIC expressed its inability (January 2020) to repay the funds to the Government.

Government replied (February 2023) that when the financial condition of PASIC improves, the funds in AIRF and distribution of Agricultural land would be recouped.

The fact, however, remained that diversion of funds earmarked for farmers defeated the purpose for which the funds were given by the Government.

(c) Discrepancies in Integrated Fertilisers Management System

GoI implemented Integrated Fertilisers Management System (IFMS) with effect from 01 September 2017 through Department of Fertilisers. Under IFMS, sale of the subsidised fertilisers is to be done through Point of Sale (PoS) devices. Accordingly, all Agro Depots of the PSU were provided with PoS machines with effect from 01 October 2017 as sale of fertilisers through PoS Devices had been made mandatory and any sale transactions other than through PoS machines by retailers would lead to cancellation of licence.

There were 37 Agro Depots under PASIC and Audit selected 25 Depots for scrutiny. A review of the IFMS Fertiliser Reports and Depot Sales Reports for the period 2017-19 revealed the following discrepancies (as detailed in **Appendix 3.2**):

(i) Sales were effected without PoS machines and under reporting of sales in 11 depots involving 276.66 MTs;

(ii) Bulk sales were effected on a single day in five depots, involving 156.05 MTs. For instance, as per RBI's Handbook on Statistics (Ministry of Agriculture), fertiliser requirement in Puducherry was 0.227 MT per hectare per annum. Thus, the total fertiliser requirement for one year for the 50 hectares served by Alankuppam Depot was only 11.35 MTs, whereas a quantity of 12.6 MTs (111 *per cent* of the annual requirement) was sold as bulk sales on a single day through PoS machine (18 June 2018). In other four depots *viz*., Thondamanatham, P.S.Nallur, Villianur and Thirukannur, the bulk sales on single day ranged between 10.2 MTs (7 *per cent*) and 67.75 MTs (76 *per cent*).

(iii) Stock transfer between depots and godowns resulted in under-reporting in 15 depots involving 410.96 MTs.

(iv) PoS were not in an usable condition in five depots.



Picture showing non-working of PoS machine for want of GPRS connection
(Source: Picture as provided by PASIC)

During the field visits (Villianur, BGN, Thirunallar, Old Bus Stand – Karaikkal and Nedungadu depots), it was observed by Audit that PoS machines were not in usable condition on account of battery failure, non-provision of SIM card, non-provision of Wi-Fi connectivity and non-availability of PoS Machines. Thus, the aim of monitoring sales through PoS machines was defeated due to failure to keep the PoS machines in working condition.

The above discrepancies show the existence of weak internal control and lack of logical control mechanism. Further, as there were shortages of closing stock, theft or pilferage could not be ruled out.

Thus, the internal control system in respect of its main activity of agri inputs supply was deficient, which was evident from the fact that there were variation in reporting of sales and stock transfer, bulk sales, sales without PoS machines. Further, it is pertinent to mention that the internal audit has been kept pending completion since 2017-18.

Government replied (February 2023) that issues in IFMS would be taken up during Internal Audit and Statutory Audit. The reply was not convincing because Internal Audit, Statutory Audit and Accounts Finalisation had not been completed for any year during 2017-22, indicating persistence of weak internal control system in PASIC.

(d) Shortage in inventory and expired items

As part of internal control, physical verification of inventory was to be undertaken during the month of March in every financial year. Accordingly, during the Audit period, PASIC conducted physical verification of inventories in March 2018, 2019 and 2022, but did not conduct the same for the financial years 2019-20 and 2020-21. As per the report on physical verification conducted in March 2022, there was a shortage of Fertilisers and Seeds to the extent of ₹ 0.94 crore. Further, the inventory included damaged and date expired fertilisers and chemical pesticides valued ₹ 0.51 crore. The date expired chemical pesticides and fertilisers had to be disposed of in an environment friendly manner as they are hazardous wastes generated in the establishment. It was observed that these short comings occurred due to the absence of an effective Internal Control and Internal Audit System in PASIC.

Government replied (February 2023) that issues of closing stock valuation, damaged and date expired stock would be taken up during Internal Audit, Statutory Audit and finalisation of Accounts.

The fact, however, remained that Internal Audit, Statutory Audit and Accounts Finalisation had not been completed for any of the year during 2017-22, indicating persistence of weaknesses in Internal Control System of PASIC.

(e) Non-payment of Service Tax

The company has to pay Service Tax within the due dates prescribed by the Acts/Rules in order to avoid penalty and interest for late/non-remittance of dues. Audit noticed that PASIC was having Service Tax dues of ₹ 3.03 crore (2005-06 to 2012-13) along with interest and penalty till February 2023.

The Government of India introduced (September 2019) Legacy Dispute Resolution Scheme which provides for settlement of Service Tax liability at 50 *per cent* along with waiver of interest and penalty.

PASIC opted to utilise the above scheme to settle the dues by waiving 50 *per cent* tax liability along with interest and penalty. Audit observed that PASIC did not settle the demand as opted. Hence, the PSU have the liability to remit the entire ₹ 3.03 crore as of February 2023. Government's reply is silent on the issue.

3.2.5.5 Conclusion

PASIC sustained losses mainly due to non-optimisation of manpower even after closure of agro depots and foregoing of revenue maximisation on account of non-availment of wholesale margin for liquor products and non-utilisation of liquor licences. Thus, PASIC sustained losses during the review period. Further, PASIC failed to perform its role of major supplier of agricultural inputs to farmers in the Union Territory of Puducherry.

3.2.5.6 Recommendations

Government may:

- *direct PASIC to do comprehensive review of its operations and restructure the organisation by deploying optimum manpower and disengaging surplus manpower for revival and sustainable business operations.*
- *direct PASIC to utilise liquor licences and avail higher margin in trading liquor products as a part of revenue and profit maximisation.*

3.2.6 Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)

PAPSCO was incorporated in 1990 and is under the administrative control of Civil Supplies and Consumer Affairs Department of Government of Union Territory of Puducherry. Its activity was to lift, transport and distribute food

articles to Fair Price Shops on commission basis. PAPSCO, later on expanded its activities to Selling of Fruits and Vegetables (Wholesale and Retail). PAPSCO also ventured into new businesses such as running of Petrol Bunks and selling of liquor products.

3.2.6.1 Organisational Structure

The Management of PAPSCO are vested with the Board of Directors (BoD) comprising Chairman, Managing Director (MD) and Directors appointed by the UT Government of Puducherry. The day-to-day operations are carried out by the Managing Director who is the Chief Executive of the Company who was assisted by Company Secretary, Deputy General Manager, Assistant General Managers/Managers of functional units *viz*., Accounts, Audit, Administration, Secretarial and Assistant Managers of various Business Units.

3.2.6.2 Financial Performance

The financial performance of PAPSCO for the last five years ended 31 March 2022 are exhibited in **Table 3.3**.

Table 3.3: Financial performance of PAPSCO for the period 2017-18 to 2021-22

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue from operations	133.70	74.76	43.22	--	35.91
Other income	4.52	0.37	3.04	--	7.02
Interest Income	--	0.60	--	0.14	--
Total Revenue	138.22	75.73	46.26	0.14	42.93
Total Expenses	150.26	93.60	62.74	18.25	55.38
Loss for the year	(-) 12.04	(-) 17.87	(-) 16.48	(-) 18.11	(-) 12.45
Grants-in-Aid	0.20	--	3.51	1.50	6.31

Note: Figures for all the above five years were provisional, since accounts were in arrears.
(Source: Details received from the PSUs/Annual Accounts of PSUs)

From **Table 3.3**, it could be seen that during the period 2017-21, the revenue from operations decreased from ₹ 133.70 crore in 2017-18 to ₹ 43.22 crore in 2019-20 and 'Nil' to 2020-21 since PAPSCO stopped its business from October 2019 (2019-20) for want of funds and working capital. The PSU resumed its functions in September 2021, with low level of operations of Festival Bazaars and revenue increased to ₹ 35.91 crore in 2021-22. Thus, loss increased from ₹ 12.04 crore in 2017-18 to ₹ 18.11 crore in 2020-21 and was reduced to ₹ 12.45 crore on account of receipt of Grant-in-Aid of ₹ 6.31 crore during 2021-22. The paid-up capital of PAPSCO was ₹ 9.93 crore and accumulated losses was ₹ 131.36 crore as on 31 March 2022 (provisional).

Audit observed that PAPSCO sustained losses continuously due to loss of revenue occasioned by non-functioning of PDS division of PAPSCO, non-review of manpower requirements leading to retention of excess manpower, non-utilisation of liquor licences and opportunity foregone in revenue maximisation due to non-availment of wholesale margin for liquour products, etc., which are detailed in subsequent paragraphs.

3.2.6.3 Operational Management

(a) Non-functioning of Public Distribution System (PDS) division

PDS division of PAPSCO dealt with lifting, transport and distribution of food articles to fair price shops on commission basis, as an agent of the Department of Civil Supplies and Consumer affairs, Government of Union Territory of Puducherry. On account of above, there was regular inflow of revenue to the extent of ₹ 64 lakh per month.

Audit noticed that on introduction of Direct Benefit Transfer (DBT) by Government (2015) under National Food Security Act, the subsidy element is transferred to the bank account of the beneficiary directly and ration card holders are expected to buy food articles from open market. Hence, the operation carried out under PDS division of PAPSCO was stopped and its revenues declined drastically resulting in continuous incidence of loss in operations.

Earlier Audit observed in the Report of the Comptroller and Auditor General of India - Government of Union Territory of Puducherry for the year ended 31 March 2018, that PAPSCO had discontinued the PDS Division activities, but it did not reassess the manpower requirement in the light of closure of activities. The Expert Committee recommended (September 2018) and directions (November 2019) were issued by the Government, to restructure the organisation with optimum manpower for carrying out the business operations for revival of PAPSCO. However, in the present audit, Audit observed that PAPSCO did not still re-assess the manpower requirement, failing which unproductive expenditure behind salary and wages on the excess employees could not be ruled out.

(b) Non-utilisation/non-renewal of Liquor licences

In order to improve the financial position of PAPSCO, the Government of Puducherry had given licences to deal with liquor products. The Excise Department, Puducherry provided PAPSCO with two wholesale licences and 33 retail licences.

The wholesale licences authorised the licencees to procure liquor products directly from the manufacturers by availing a margin of 30 *per cent* on cost price. Audit noticed that PAPSCO, instead of procuring liquor products directly

from the manufactures, it procured liquor products from other wholesale licensees and thereby lost an opportunity to earn ₹ 8.02 crore (2017-20). Further, the payment of ₹ 1.32 crore for the wholesale licence fee (at the rate of ₹ 0.22 crore per annum) during the period of 2017-20 became infructuous.

Similarly, out of 33 retail licences, PAPSCO used 24 licences for its operation and the remaining nine were kept idle (for want of funds for renewal). Further, Audit observed that all the 33 retail licences were not renewed from 2020-21.

Government replied (March 2023) that PAPSCO could not avail wholesale margins and renew licences during the period of audit of 2017-22 for want of funds for working capital, advance payments and initial investment. It further added that PAPSCO have submitted proposals to engage Agent-cum-Vendor for operating the licences.

The reply was not tenable as PAPSCO, which was holding Wholesale Licences have approached other Wholesale Licencees for more than 10 years without any justification. The above aspect assumes significance in the context of the facts that PAPSCO was given licences only to improve financial position. Thus, PAPSCO had failed to fulfil the Government's mandate of maximising revenue and prevent Corporate Sickness.

(c) Non-laying off manpower

Sections 2(j), 2(kkk) and 25C of the Industrial Disputes Act, 1947, provides for lay off of regular staff and to reduce the salary liability by 50 *per cent*. Accordingly, PAPSCO decided (March 2020) that out of 992 employees, to retrench 958 employees (256 regular staff and 702 contract employees) by keeping the skeleton staff. PAPSCO did not exercise the legal option of lay off for regular staff.

Audit noticed that PAPSCO also made provision of ₹ 8.66 crore (April 2020 to March 2022) in their provisional accounts towards payment of wages to the contract employees.

However, Audit observed that PAPSCO did not retrench its employees and failed to avoid an extra expenditure of ₹ 8.23 crore towards payment to 256 regular employees in PAPSCO for the respective periods, in addition to commitment to pay ₹ 8.66 crore to contract employees thereby incurring avoidable manpower cost to the extent of ₹ 16.89 crore.

Government replied (February/March 2023) that PAPSCO did not have funds to operationalise lay off or retrenchment and when fund position improves, optimum manpower size would be identified.

The fact, however, remained that non-implementation of the decision taken in 2020 by PAPSCO led to increase in the manpower liabilities during the period

2018-22 without productivity, especially when Grant-in-Aid for manpower cost to the extent of ₹ 11.31 crore was granted to PAPSCO during 2019-22.

(d) Non-disbursal/remittance of employee benefits

Audit observed that PAPSCO has defaulted in payment of Salary and Wages from the month of November 2017 to March 2022 to the extent of ₹ 60.50 crore. It has also defaulted in payment of Statutory Liabilities to the extent of ₹ 31.09 crore[13]. Therefore, PAPSCO, though acting as the extended arm of the Government, failed to be a model employer for their employees.

3.2.6.4 Internal Control

(a) Lack of Budgetary Control

Budgetary control, as a tool for monitoring, reduces wastage and losses and serves as basis for performance evaluation by the top level management. Budgeting as a monitoring tool stipulated targets to maximize revenue/control cost, reduces wastage and losses by revealing the same for corrective action and serve as basis for performance evaluation of Managers. Audit observed that though segment-wise financial results reporting was done in Internal Audit Reports, no budgetary system stipulating performance targets for each business segment had been instituted (February 2023), which affected the Corporate/Strategic Planning and resulted in Corporate Sickness.

Government replied (March 2023) that PAPSCO has performance evaluation based on Internal Audit Reports.

Reply of the Government is not tenable as Internal Audit Report was not a budgetary control system and hence, there was no performance evaluation and monitoring control in place.

(b) Shortage of stock in Petrol Bunks

With respect to operations of Petrol Bunk by PAPSCO, Audit observed that there had been shortages (between July 2016 and January 2019)/ misappropriation of stock in Petrol Bunks' operations to the extent of ₹ 0.78 crore for which no follow-up action had been taken. Further, it was also observed that there was no system of reconciliation between advance amounts paid for purchases and actual purchases made.

Government replied (March 2023) that out of shortages/misappropriation amounting to ₹ 0.78 crore, ₹ 2,36,054 only was recovered and disciplinary proceedings are yet to be initiated. The reconciliation of advance amounts

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[13] included EPF (₹ 15.40 crore), ESI contribution (₹ 1.24 crore), Gratuity, Leave Salary and Encashment (₹ 14.45 crore).

with actual purchases had been done barring few months due to strike by employees.

However, the fact remained that major portion of recoveries as well as disciplinary action were not yet effected and also the reconciliation process is yet to be completed.

(c) Non-payment of Service Tax

The company has to pay Service Tax within the due dates prescribed by the Acts/Rules in order to avoid penalty and interest for late/non-remittance of dues.

The Government of India introduced (September 2019) Legacy Dispute Resolution Scheme which provides for settlement of Service Tax liability at 50 *per cent* along with waiver of interest and penalty. Audit noticed that PAPSCO were having statutory due of ₹ 2.28 crore (April 2014 to June 2017) towards Service Tax liability along with interest and penalty till March 2022. PAPSCO opted to utilise the above scheme to settle the dues by waiving of 50 *per cent* tax liabilities along with interest and penalty. Audit observed that PAPSCO did not settle the demand as opted. Hence, PAPSCO has the liability to remit the entire ₹ 2.28 crore as of March 2022.

Government replied (March 2023) that it could not settle the statutory dues of PAPSCO for want of funds.

3.2.6.5 Conclusion

Consequent upon non-functioning of PDS division activities, PAPSCO failed to implement the Government decision to restructure the organisation with optimum manpower for its revival. Further, PAPSCO, instead of procuring liquor products directly from the manufacturers, it procured from other wholesale licensees and thereby lost an opportunity to earn additional 30 *per cent* in the margin. Thus, PAPSCO sustained losses during the review period.

3.2.6.6 Recommendations

Government may:

- *direct PAPSCO to review and restructure the operations by deploying optimum manpower and disengaging surplus manpower for revival and sustainable business operations.*
- *direct PAPSCO to utilise liquor licences and avail higher margin in trading liquor products as a part of revenue and profit maximisation.*

3.2.7 Puducherry Road Transport Corporation Limited (PRTC)

PRTC mainly operates inter-state services and town services and is under the administrative control of Transport Department of the Government of the UT of Puducherry. PRTC has four regions, *viz*., Puducherry, Karaikal, Mahe and Yanam with one depot in each region and a workshop each at Puducherry and Karaikal. The bus body building activities and tyre re-treading operations are done through external agencies. However, bus maintenance works are being done in-house at its own workshops. As on March 2022, PRTC operates 140 buses both in and outside UT of Puducherry.

3.2.7.1 Organisational Structure

The Management of PRTC was vested with the Board of Directors (BoD) comprising Chairman, Managing Director (MD) and Directors appointed by the UT Government of Puducherry. The day-to-day operations are carried out by the Managing Director who is the Chief Executive of the PRTC, who was assisted by General Manager/Managers of functional units *viz*., Operation, Maintenance, Accounts, Administration, EDP, Legal etc.

3.2.7.2 Financial Performance

The financial performance of PRTC for the period 2017-18 to 2021-22 were as given in **Table 3.4**:

Table 3.4: Financial performance of PRTC

(₹ in crore)

Particulars	Audited				Provisional
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue from operations	44.55	50.11	44.53	7.71	16.37
Other income	0.04	0.01	0.05	--	1.21
Grant-in-Aid	4.11	4.96	9.96	19.00	17.94
Total Revenue	**48.70**	**55.08**	**54.54**	**26.71**	**35.52**
Cost of materials consumed	25.87	28.51	23.98	5.55	12.04
Employee benefit expenses	24.10	34.84	28.75	24.54	24.97
Finance cost	--	--	--	--	--
Depreciation and amortisation expenses	0.22	0.24	0.25	0.20	0.13
Other expenses	4.12	3.88	4.92	1.98	2.42
Total expenses	**54.31**	**67.47**	**57.90**	**32.27**	**39.56**
Prior Period and Exceptional Items	0.04	3.32	0.25	0.01	4.05
Loss for the year	(-) 5.65	(-) 15.71	(-) 3.61	(-) 5.56	(-) 4.48

(Source: Details received from the PSUs/Annual Accounts of PSUs)

Audit analysis of the financial performance of the PSUs revealed the following:

The annual accounts of PRTC were finalised and audited for the years 2017-18, 2018-19, 2019-20 and 2020-21. The annual accounts for the year 2021-22 was finalised, but not audited and hence the provisional figures for the year (2021-22) was considered. The loss during the year 2018-19 increased to ₹ 15.71 crore from ₹ 5.65 crore of the previous year mainly due to increase/arrear payment to employees. The loss of ₹ 3.61 crore for the year 2019-20 was also increased during the year 2020-21 to ₹ 5.56 crore due to lesser revenue on account of COVID-19. The operational revenue increased in 2021-22 over 2020-21, however not to the level of pre-pandemic period. The paid-up capital of PRTC was ₹ 34.78 crore and the accumulated loss was ₹ 66.29 crore as on 31 March 2022 (provisional).

Audit observed that PRTC sustained losses continuously due to non-augmentation of new routes, non-replacement of old buses, operation of buses in unviable routes, non-utilisation of its entire fleet, non-plying of scheduled kilo meters, non-fixation of target for operational parameters to reduce cost of operation and non-revision of passenger fares regularly which are detailed in subsequent paragraphs:

3.2.7.3 Operational Management

(a) Stagnant strength of public transport

In any State/UT, there is a need to run adequate number of buses to serve the increasing population in a better way. Audit noticed that the estimated population of Union Territory of Puducherry increased from 14.52 lakh in 2017-18 to 16.09 lakh in 2021-22 (10.81 *per cent*).

However, Audit observed that the fleet strength of buses of PRTC was 143 during 2017-18 and was reduced (due to condemnation of three buses) to 140 during 2021-22, as no new buses were introduced. Audit further observed that the percentage of overaged buses was 15.71 *per cent* at the end of 2017-18 which had increased to 64.29 *per cent* at the end of 2021-22. Thus, the number of buses were not increased by PRTC adequately to commensurate with increase in population.

Government replied (March 2023) that an amount of ₹ 17.30 crore was allotted as capital fund for purchase of 30 new buses.

The reply confirmed the fact that no buses were added to the fleet during the entire five-year period despite condemnation of three buses.

(b) Low Fleet Utilisation

Fleet utilisation represents the ratio of buses operated on road to the buses held by the PSU. The fleet utilisation of PRTC for the last five years ending 31 March 2022 is given in **Table 3.5**.

Table 3.5: Comparative statement of fleet utilisation by PRTC *vis-à-vis* All India average

Particulars		2017-18	2018-19	2019-20	2020-21	2021-22
Average No. of vehicles held		140	140	140	140	140
Percentage of fleet utilisation	Puducherry	56.40	75.00	70.71	34.34	45.45
	Karaikal	84.38	78.13	75.00	40.63	62.50
	Overall[14]	64.39	61.61	71.94	36.14	50.32
	All India	89.38	89.80	NA	NA	NA

Note: Mahe and Yanam branches constituted only 5.7 *per cent* and hence, not considered.
'NA' represents 'Not Available'
(Source: Details received from the PSUs/Annual Accounts of PSUs)

From **Table 3.5**, Audit observed that the fleet utilisation of the PSU was far below the All-India average during the years 2017-18 and 2018-19[15]. Further, PRTC has not set any target for fleet utilisation which was evident from the fact that in Puducherry Branch, 41 buses were not operated from 2014-15 to 2020-21[16]. Out of this, seven buses were kept for condemnation, two are stopped for court cases and the balance 32 buses were not operated for carrying out major/minor mechanical or body works for a longer period of time. Consequently, the per capita kms[17] has also come down from 10.47 kms (2017-18) to 5.54 kms (2021-22). Thus, PRTC sustained losses continuously.

Government replied (March 2023) that the fleet utilisation was reduced due to frequent repairs/breakdown of old buses and in future target for fleet utilisation would be increased. The fact, however remained that there was no improvement in fleet utilisation.

(c) Non-fixing of target for Kilometre per litre (KMPL)

Fuel is a major element for road transport undertaking and control of fuel costs has a direct bearing on its productivity.

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14 Average number of vehicles operated were 140, out of which 100 buses were operated in Puducherry and 40 in Karaikal at the ratio of 5:2. The over all percentage of fleet utilisation, thus worked out was fleet utilization x 5/7 for Puducherry and fleet utilisation x 2/7 for Karaikal.

15 Subsequent data not available.

16 2014-15 (1); 2017-18 (5); 2018-19 (1); 2019-20 (23); 2020-21 (11).

17 Effective kms operated/estimated population.

Audit noticed that in PRTC, fuel cost constituted 21 *per cent* to 41 *per cent* of total expenditure during 2017-22. Further, Audit noticed that PRTC has not fixed any target[18] for achieving KMPL.

Audit observed that during the five year period 2017-22, the buses of Puducherry branch of Tamil Nadu State Transport Corporation (Villupuram) Limited had achieved KMPL ranging from 5.46 to 5.80 whereas the KMPL of PRTC was in the range of 4.19 to 4.79 only. The details of KMPL achieved by PRTC *vis-a-vis* achievable KMPL during the period 2017-22 were as follows:

Table 3.6: Statement of KMPL achieved by PRTC *vis-a-vis* achievable KMPL

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Gross Kms (in lakh)	152.09	146.06	135.21	29.37	89.09
2	Actual consumption of fuel (in lakh litres)	36.28	33.58	31.49	6.25	18.61
3	Kilometre obtained per litre (KMPL)	4.19	4.35	4.29	4.70	4.79
4	Achievable KMPL	5.46	5.46	5.46	5.46	5.46
5	Fuel consumption based on Sl. No. 4 (in lakh litres)	27.86	26.75	24.76	5.38	16.32
6	Excess consumption in lakh litres (2-5)	8.42	6.83	6.73	0.87	2.29
7	Average cost per litre (₹)	59.36	69.66	68.09	76.48	90.76
8	Excess expenditure (₹ in crore) (6 x 7)	5.00	4.76	4.58	0.67	2.08

(Source: Details received from the PSUs/Annual Accounts of PSUs)

From **Table 3.6**, it could be noticed that PRTC failed to fix target for KMPL and achieve the achievable KMPL of 5.46, which was achieved by the neighbouring State Transport Corporation during the audit period 2017-22. Audit observed that this failure of PRTC led to purchase of extra fuel (25.14 lakh litres) valuing ₹ 17.09 crore. Thus, the cost of operation in PRTC was high resulting in continuous loss.

Government replied that under JNNURM scheme, PRTC has purchased 90 number of buses and it has fixed the targets such as: Ashok Leyland 4.50, Volvo-A/C 3.00, Marcopolo Standard 3.50 and Marcopolo Mini Bus 6.50. The reply is not acceptable since similar types of JNNURM buses introduced in Metropolitan Transport Corporation (Chennai) Limited (MTC) achieved higher KMPL than the KMPL fixed/achieved by PRTC. Moreover, these targets were fixed for the ensuing period and not for the review period.

[18] PRTC has to fix target for KMPL to be achieved by each bus, each branch and for company as a whole.

(d) Cancellation of scheduled kilometers

Scheduled kms denotes the distance in kms scheduled to be operated in a period and cancelled kms is the distance not operated. The details of scheduled kms and cancelled kms during the period 2017-18 to 2021-22 are given in the **Table 3.7**.

Table 3.7: Details of the scheduled kms and cancelled kms of PRTC

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Scheduled Kms (in lakh)	180.42	193.41	195.14	42.70	115.79
2	Effective Kms (in lakh)	152.09	146.06	136.21	29.37	89.09
3	Kms cancelled (in lakh)	28.33	47.35	59.93	13.33	26.70
4	Percentage of cancellation	15.70	24.48	30.71	31.22	23.06

(Source: Details received from the PSUs/Annual Accounts of PSUs)

From **Table 3.7**, audit observed that the effective kms operated was decreasing every year due to increase in cancellation of scheduled buses. Records/data showing causes for cancellation was not maintained by the PRTC.

Government replied (March 2023) that henceforth records attributable to reasons for cancellation of scheduled Kms would be maintained.

(e) Non-revision of passenger fare regularly

As per section 67 of Motor Vehicles Act of 1988, the respective State/UT Governments have powers to fix the passenger fare of stage carriage buses. Audit noticed that the Government increased the fare in all categories of bus service with effect from 21 June 2018, after lapse of more than six years. Audit further observed that apart from sudden increase in fares, there was a drop in number of passengers commuting by PRTC buses, which was attributable to cancellation of services/trips, non-operation of 41 buses ranging from three months to seven years, etc.

Table 3.8: Statement showing declining trend of passengers travelling in PRTC buses

Year	Number of Passengers travelled in PRTC Buses	Decline in percentage of passengers travelled in a year compared to 2017-18
2017-18	1,93,73,162	--
2018-19	1,54,26,220	20.37
2019-20	1,50,16,702	22.49
2020-21	29,27,643*	84.89
2021-22	64,23,324	66.84

*Pandemic period

(Source: Details received from the PSUs/Annual Accounts of PSUs)

Moreover, PRTC did not have the system for approaching Government with a proposal for revision of fare in a periodic manner considering the normative cost of operation and revenue and hence, the passenger fare was not revised for the past six years. Hence, it would be desirable to have an independent body to fix the fares, regulate operation of buses on uneconomical routes and address the grievances of commuters.

Government replied (March 2023) that for the interstate routes, the fare is to be fixed in accordance to the existing fare prevailing in the neighbouring states. Though it is a fact that most of the buses running in the areas of neighbouring states, the UT of Puducherry is endowed with the power to fix or revise the fares. Hence, in view of high operational cost, PRTC could represent to the UT Government to fix or revise rates for intra-state and urban routes.

3.2.7.4 Internal Control

(a) Lack of Budgetary control

Budgetary control, as a tool for monitoring, reduces wastage and losses and serves as basis for performance evaluation by the top level management. Budgetary control reduces cost and losses by revealing the same for corrective action and serve as basis for performance evaluation of managers. However, Audit observed that PRTC did not have a system of budgetary control for fixing performance targets for operation of buses. Government reply (March 2023) was silent on this issue.

(b) Non-remittance of Employees Provident Fund dues

The Company has to remit the dues of Employees Provident Fund (EPF) (Employees contribution deducted from the salaries of employees together with Employer's Contribution) within the due dates prescribed by the Acts/Rules in order to avoid penalty and interest for late/non-remittance of dues. Section 7Q of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 provides payment of interest[19] due on the amount. Besides, under Section 14B of the Act, the defaulted company is also liable to pay damages.

Audit observed that PRTC has defaulted in payment of EPF to the extent of ₹ 3.95 crore (including the employees' share of ₹ 2.28 crore) which was payable for the period from December 2020 to July 2022. It stated that it requested (October 2022) the Government for onetime Special Grant-in-Aid

[19] Simple interest at the rate of twelve *per cent* per annum or at such higher rate as may be specified in the Scheme on any amount.

for settlement of PF dues and further added that action would be taken to pay the amount once the grant is received.

Government replied (March 2023) that non-payment of statutory dues was due to financial sickness and non-availability of funds and after release of special Grant-in-Aid, the dues would be paid.

3.2.7.5 Conclusion

PRTC did not fix target for fuel efficiency and other operational parameters for lowering operational costs and did not carry out analysis of unviable routes for improving financial viability. Further, there had been no regular fare revision leading to non-recovery of cost of operation. Thus, PRTC sustained losses during the review period.

3.2.7.6 Recommendations

Government may:

- *revise the passenger fare regularly and reimburse the losses for plying the buses in unviable routes, replace old buses and*
- *direct PRTC to fix norms for KMPL and other operational parameters and monitor the achievement of targets to ensure economy in operations.*

3.2.8 Puducherry Tourism Development Corporation Limited (PTDC)

PTDC was incorporated in February 1986 and is under the administrative control of Tourism Department of the Government of the UT of Puducherry. Subsequently, it was renamed as Puducherry Tourism and Transport Development Corporation Limited (PTDC) in December 1992 and also undertook road transport activities.

In view of the expansion and diversification of both tourism and transport activities, PT&TDC was bifurcated as PTDC and Puducherry Road Transport Corporation Limited (PRTC) in April 2005. The main activities of PTDC involved development and management of places of touristic interest in the Union Territory of Puducherry and to carry on the business of running Hotels and Restaurants.

3.2.8.1 Financial performance

The financial performance of PTDC for the five year period ending 2021-22 is as given in **Table 3.9**.

Table 3.9: Financial performance of PTDC

(₹ in crore)

Particulars	Audited				Provisional
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue from operations	18.41	21.49	21.35	7.01	14.28
Other income	0.77	1.07	1.02	0.17	0.64
Grant-in-Aid	1.20	1.60	0.00	1.69	2.76
Total Revenue	20.38	24.16	22.37	8.87	17.68
Cost of materials consumed	6.18	7.22	7.01	2.35	4.94
Employee benefit expenses	11.41	11.74	12.22	11.07	10.70
Finance cost	0.11	0.08	0.06	0.03	0.05
Depreciation and amortisation expenses	0.32	0.30	0.30	0.23	0.18
Other expenses	3.26	3.53	3.40	1.98	1.84
Total expenses	21.28	22.87	22.99	15.66	17.71
Prior Period and Exceptional Items	0.12	0.24	0.03	0.15	0.07
Profit/Loss for the year	(-) 1.02	1.05	(-) 0.65	(-) 6.94	(-) 0.10

(Source: Details received from PSU/Annual accounts of PSU)

Audit analysis of the financial performance of the PSUs revealed the following:

PTDC earned profit only during 2018-19 on account of increase in sales collection from water sports division and receipt of revenue grant of ₹ 1.60 crore. In 2020-21 and 2021-22, the imposition of lock down in Puducherry due to COVID-19 had resulted in incurring of loss. PTDC has not framed any strategic planning to augment revenue and to cover fixed costs. Expert Committee appointed (June 2017) by the Government recommended (January 2019) disengaging Tourist Guards and to close down unviable operations. However, the recommendations were not implemented by PTDC. The accumulated loss was ₹ 34.51 crore as on 31 March 2022 (provisional).

Audit observed that PTDC sustained losses due to higher operational cost in tourism activity and in running of restaurants which are detailed in subsequent paragraphs:

3.2.8.2 Organisational Structure

The Management of PTDC are vested with the Board of Directors (BoD) comprising Chairman, Managing Director (MD) and Directors appointed by the UT Government of Puducherry. The day-to-day operations are carried out

by the Managing Director who is the Chief Executive of the Company who is assisted by Heads of Sales, Accounts and Administration.

3.2.8.3 Operational Management

(a) Tourism related activities

This segment of PTDC is engaged in arrangement of travel services for various departments of Government of Puducherry and tour packages for general public.

Audit noticed that PTDC generating enough contribution after absorption of variable cost.

Table 3.10: Performance of the Tourism segment during 2017-22

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22*
(A) REVENUE					
Sales/Collection	0.30	0.14	0.10	--	0.31
Other Income	0.58	0.36	0.36	0.36	0
Total (A)	0.88	0.50	0.46	0.36	0.31
(B) EXPENDITURE					
Operating Cost	0.27	0.06	--	--	--
Salary & Others	0.20	0.14	0.18	0.21	0.16
Other expenses	0.13	--	0.02	0.05	0.04
Total (B)	0.60	0.20	0.26	0.26	0.20
Profit (A-B)	**0.28**	**0.30**	**0.20**	**0.10**	**0.11**

*Provisional accounts
(Source: Details received from PTDC)

From **Table 3.10**, Audit observed that the tourism segment was making a marginal profit (ranging between ₹ 0.11 crore and ₹ 0.30 crore) during the period from 2017-21. Further, it was observed that on account of pandemic period (2020-22), this activity was dispensed with and arrangement of travel services for various departments of Government of Puducherry were undertaken. Thus, during 2020-22 the tourism revenue has come down substantially and consequently, the profit also has come down.

Government replied (February 2023) that in PTDC, Tourism wing was doing various activities as Tourism Promotional Activities. It further stated that the tourism and travel wings have to boost the revenue to this wing, measures such as Aggressive marketing of travel services, Organisation of package Tours, Mini tourism etc., would be taken.

The fact remains that the effect and results of the measures enumerated in the above reply would be known only on closure of accounts for the financial year 2022-23.

(b) Engagement of Tourist Guards

One hundred persons outsourced from private agency were thrust upon PTDC by the Government of Puducherry as 'Tourist Guards' with fixed salary from January 2016 on the assurance that the Government would meet the expenditure.

Audit observed that PTDC has paid ₹ 2.87 crore upto March 2022 including EPF in anticipation of reimbursement from the Government. However, only an amount of ₹ 0.16 crore was reimbursed by the Government (2017-18) and the balance amount of ₹ 2.71 crore is pending to be reimbursed (November 2022). Thus, PTDC already suffering loss from its core activities was put to additional loss of ₹ 2.71 crore at the instance of the Government.

Government replied (February 2023) that based on Audit, a letter has been sent (February 2023) to Department of Tourism for reimbursement.

(c) Non-payment of Statutory dues

The Companies have statutory liabilities towards Goods and Services Tax (GST) and Employees Provident Fund (EPF) (Employees contribution deducted from the salaries of employees together with Employer's Contribution) payable within the due dates prescribed by the Acts/Rules. However, Audit observed the following issues in clearance of statutory and mandatory dues:

(i) Non-remittance of EPF dues

Section 7Q of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 provides payment of interest[20] due on the amount. Besides, under Section 14B of the Act, the defaulted company is also liable to pay damages.

Audit observed that PTDC defaulted in payment of Employees Provident Fund (EPF) (₹ 0.70 crore) due for payment in respect of regular employees and Tourist Guards for the period from May 2021 to August 2022. In this connection, it is pertinent to mention that PTDC had paid (2019-20) penalty of ₹ 0.14 crore to EPF authorities for non-remittance of EPF dues in time related to earlier periods (December 2015 to June 2019).

Government accepted that there were delays in remittance of EPF due to financial concerns and added that steps were being taken to regularise the payment of EPF in time.

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[20] Simple interest at the rate of twelve *per cent* per annum or at such higher rate as may be specified in the Scheme on any amount.

(ii) Belated remittance of GST

GST or any other taxes collected by the assessees in fiduciary capacity must be remitted to the Government before due date. It was noticed that PTDC failed to remit GST collections amounting to ₹ 6.46 crore related to the period August 2017 to October 2021.

Audit observed that the GST authorities issued demands (February/ September 2022) for ₹ 0.73 crore towards interest for late filing of GST return/ delay in remittance. Out of this, PTDC remitted ₹ 0.53 crore till 18 October 2022 and yet to remit the balance amount.

Government accepted (February 2023) that there were delays in remittance of GST due to financial constraints faced by PTDC. However, it was stated that steps were being taken to regularise the payment of GST which is now timely stabilised.

3.2.8.4 Internal Control

(a) Lack of Budgetary control

Budgetary control, as a tool for monitoring mechanism, reduces wastage and losses and serves as basis for performance evaluation by the top level management. Budgetary control reduces cost and losses by revealing the same for corrective action and serve as basis for performance evaluation of managers. PTDC did not have a system of budgetary control for fixing performance targets. The Government reply was silent on this issue.

(b) Debtors and collection of outstanding dues

PTDC used to extend credit facilities at its restaurants and water sports division to Government departments and private parties. Audit observed that an amount of ₹ 1.22 crore was pending to be received from various departments for more than three years (March 2022). Thus, ineffective follow-up by PTDC resulted in accumulation of dues and persistent working capital constraints.

Government replied (March 2023) that in respect of PTDC, it was taking aggressive steps for recovery of dues. The fact remained that ₹ 1.22 crore was blocked with various customers including Departments of Government of Puducherry.

3.2.8.5 Conclusion

There was no Corporate Strategic Planning in PTDC to exploit the revenue potential by conducting packaged tours, etc. The activities which were

earning profit and dispensed with during pandemic period were not resumed to earn better revenue. Thus, PTDC sustained losses during the review period.

3.2.8.6 Recommendations

Government may:

- *direct PTDC to identify new tourism packages and implement them for earning more revenue;*
- *reimburse the salary of Tourist Guards, ensure collection of old dues and timely remittance of statutory dues.*

3.2.9 Corporate Governance

This part deals with the common issues pertaining to Corporate Governance of all the four PSUs which are detailed in subsequent paragraphs:

3.2.9.1 Frequent change of Managing Directors of the PSUs

Continuance of Heads of Department for longer duration would enable corporate decision in a long run and would result in improved operational performance. However, Audit observed that during the period from 2017-18 to 2021-22, two officers held the post of MD in respect of PAPSCO whereas four officers held the post of the MD in PASIC and six officers held the post of MD in PTDC and PRTC, that too on additional charge. In respect of PAPSCO, the tenure of one MD was less than two years and in respect of PTDC and PRTC, the tenure of MDs were less than a year. Thus, presence of HoDs on long-term basis was missing in these three PSUs and hence, important decisions for turnaround of these PSUs could not be undertaken.

Government replied (February/March 2023) that a full time MD for PASIC had been appointed from the Agriculture Department and in respect of PTDC and PRTC, the decision to post in charge MDs are taken by the Competent Authority.

The reply was not convincing as appointment of full time Managing Director for a substantial period is needed for implementing any turnaround plans for the revival of the companies.

3.2.9.2 Infrequency in conduct of Meetings of the Board of Directors of the PSUs

Effective governance of the Corporation could be exercised through regular conduct of meetings of the Board of the Corporation. Section 173 of the Companies Act provides that every Corporation shall hold a minimum number of four meetings of its Board of Directors every year in such a manner that not

more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

The details regarding the conduct of meetings of the Board of Directors of all the four PSUs during the Audit period ending 2021-22 is as tabulated in **Table 3.11**.

Table 3.11: Statement showing the details of conduct of meetings of the Board of Directors of all the four PSUs

Name of the PSUs	2017-18	2018-19	2019-20	2020-21	2021-22
PASIC	1	3	1	--	--
PAPSCO	4	4	3	3	3
PRTC	2	2	3	2	2
PTDC	4	3	4	2	3
No. of meetings to be conducted	16	16	16	16	16
Actual No. of meetings conducted	11	12	11	7	8

(Source: Board Minutes of the PSUs)

From **Table 3.11**, Audit observed that against the stipulated number of 80 meetings to be conducted by all the four PSUs, only 49 meetings were conducted. Thus, the provisions of Section 173 of the Companies Act, 2013 were not complied with by these PSUs.

Further, as per Companies Act, 2013, every company with a paid-up share capital of ₹ 10 crore or more should appoint a whole-time Company Secretary. However, it was observed that PASIC and PTDC did not have whole-time company secretary despite having share capital of more than ₹ 10 crore.

Government replied (February/March 2023) that due to administrative constraints and Corona pandemic, the stipulated Board Meetings were not conducted in PASIC. However, it agreed to ensure that Board Meetings are convened in 2022-23 as per the norms of the Companies Act.

In respect of PTDC, Government replied that due to administrative reasons two meetings could be convened for the financial year 2018-19 and during 2021-22 due to Covid's mandatory restrictions, all units were closed and only three meetings could be convened.

3.2.9.3 Non-finalisation of Annual Accounts

As per Section 96 of the Companies Act, 2013, every Corporation shall place its audited Annual Accounts in the Annual General Meeting within six months from the date of closure of the accounts. The Government Orders sanctioning Grants-in-aid also stipulates the finalisation of Annual Accounts within six months from the date of closure of accounts.

However, Audit observed that PASIC did not finalise the annual accounts for the period from 2013-14, PAPSCO from 2014-15, PTDC for 2021-22 and PRTC from 2020-21 despite instructions (July 2013) of the Public Accounts Committee (PAC). It is pertinent to note that non-finalisation of accounts by the PSUs of Puducherry was highlighted by Audit at various levels of meeting including the meeting with the Chief Secretary, Secretary to the Government, Finance Department, etc. However, there was no improvement in finalisation of accounts till date (March 2023).

Government replied (February/March 2023) that in PASIC, non-finalisation of Accounts was due to lack of resource personnel.

Government reply is not convincing as timely finalisation of accounts is a statutory requirement, which was not given the due importance by these PSUs.

3.2.9.4 Receipt of Grant-in-Aid for revival

Normally, Grants-in-Aid were given to PSUs to strengthen their financial position. Audit observed that the Government of Puducherry had released an amount of ₹ 11.52 crore as Grant-in-Aid to the PAPSCO during the period 2017-22 to meet the general administrative expenses and payment of salaries and wages. Even after receipt of above support, the PSU could not revive themselves on account of their operational inefficiencies and take corrective actions appropriately.

Further, it was observed that though Government of Puducherry made a provision of ₹ 3.79 crore in the Annual Budgets for payment of Grant-in-Aid to PAPSCO towards payment of salaries, the same was yet to be released (February 2023) despite repeated requests from the PSU. Non-finalisation of accounts was one of the reasons for non-releasing of entire Grants-in-aid.

The weaknesses in internal control system such as infrequency in conducting meetings of the Boards and non-finalisation of accounts in time also led to continued loss and poor performance of all the above four PSUs.

3.2.9.5 Recommendations

Government may

- *direct the PSUs to identify unviable units and take measures for either revival or merger/closure thereby optimising manpower requirements and to facilitate turnaround. Responsibilities may be fixed on the concerned officials of PASIC and PAPSCO for non-usage of wholesale liquor licences.*

CHAPTER IV

COMPLIANCE AUDIT

CHAPTER IV

COMPLIANCE AUDIT

This Chapter contains the results of Compliance Audit of various Departments of the Government, their field formations and Autonomous Bodies. Instances of lapses in the management of resources and deficiencies in observance of the norms of regularity, propriety and economy are presented in the succeeding paragraphs.

4.1 Avoidable expenditure

FINANCE DEPARTMENT

4.1.1 Inadmissible payment of rent free accommodation allowance

Payment of rent free accommodation allowance in contravention to Government of India instructions resulted in inadmissible payment of ₹ 7.86 crore.

Rule 2 of the Puducherry Administration (Conditions of Services of employees) Rules, 1966 stipulated that the conditions of service of all persons appointed to the posts under the administrative control of the Administrator of Puducherry shall be the same with that of persons appointed to other corresponding Central Civil Services and posts.

The Fundamental Rules of Government of India (GoI) contemplated (Decision 17 under FR 45A) payment of compensation in lieu of rent free accommodation for employees who were entitled to the facility of rent free accommodation, but not been provided such accommodation. This includes (i) the lowest amount charged as licence fee for the entitled type of accommodation and (ii) house rent allowance admissible to corresponding employees in that classified city.

Accordingly, certain categories of employees of Health and Family Welfare, Police, Jail and Fire Service Departments of the Union Territory of Puducherry who are not residing in quarters are granted rent free accommodation allowance.

Based on the recommendations of the Committee of Allowances, GoI abolished the rent free accommodation allowance with effect from July 2017. The GoI

also directed (July 2017) that it is the responsibility of all the Heads of Departments to ensure that no bills relating to discontinued allowances be drawn.

Audit scrutiny revealed that the Government of Puducherry continued to pay rent free accommodation allowance, which was abolished in July 2017 to the employees of Health and Family Welfare Services, Police, Jails and Fire Service Departments. This resulted in inadmissible payment of ₹ 7.86 crore for the period from January 2018 to September 2022[1].

Government accepted (February 2023) the Audit observation and instructed for discontinuance of rent free accommodation allowance. Further, the excess allowance paid would be recovered based on the decision on modalities to be followed for recovery. However, the reply is silent on action to be taken on the officials responsible for the payment of this inadmissible allowance.

Recommendation: *Government should strictly monitor and follow the GoI orders to avoid inadmissible payment and fix responsibility on the concerned officials responsible for the inadmissible payment.*

4.2 Wasteful expenditure

PUBLIC WORKS DEPARTMENT

4.2.1 Unproductive expenditure on drain improvement work

Non-handing over of clear work site led to abandoning of work by contractor and unproductive expenditure of ₹ 5.37 crore and liability of ₹ 1.75 crore towards arbitration award due to incomplete drain improvement work.

Rule 129 of General Financial Rules, 2005 stipulated that no works shall be commenced until a detailed design has been sanctioned and funds have been provided by competent authority. Para 4.1.1 and 4.1.2 of CPWD Manual stipulates that preliminary survey, appointment of consultant, data and drawings shall be done for preparation of Preliminary Estimate. Further, Para 4.2 of the CPWD Manual stipulates that the preparation of detailed estimate and drawings

[1] Payment details for the period from July 2017 to December 2017 not furnished by the Departments.

and designs should be taken up only after obtaining assurance that the site is available without any encumbrance.

Executive Engineer (EE), Irrigation Division (Division), Public Works Department (PWD), Puducherry proposed (May 2013) to undertake the improvement work to the Karuvadikuppam drainage channel as the existed stretch of the revetment was an earthen bund and in damaged condition. During the rainy season, the bund slide resulted in stagnating of drainage water. This stagnation of drainage water caused unhygienic conditions in the surrounding areas. The scope of the work included construction of protection wall on both sides of drain for a length of 1,425 meters[2] and cement concrete lining for smooth flow of sullage.

Administrative approval for availing loan of ₹ 10 crore from HUDCO and expenditure sanction was accorded in September 2013 and June 2014 respectively. Tenders were called for in February 2014 and work order was issued (August 2014) to the lowest tenderer for ₹ 9.07 crore and the work was to be completed in 18 months from the date of issue of work order.

The work of drain improvement was commenced (January 2015) after a delay of four months, due to delay in conducting detailed survey. There were also delays in approval of alternate technology, heavy discharge and paucity of funds. Construction of the drain, only for a length of 645 meters in the first reach was executed upto September 2019. Expenditure of ₹ 4.17 crore was incurred till December 2019. The contractor abandoned (September 2019) the work citing the reasons that wrong information on the status of site availability was given in the Notice Inviting Tender (NIT) and non-handing over of clear site for 720 meters even after lapse of 68 months from the date of tender.

Scrutiny of records maintained by the EE, Irrigation Division revealed that there were continuous encroachments in the form of multi-storeyed buildings on both the sides of the drain. The Assistant Engineer, Irrigation Division, requested (February 2018) the EE to demarcate the boundaries for the continuance of the work which was not complied with.

The contractor requested (January 2020) the Chief Engineer, PWD for appointment of Sole Arbitrator. Due to non-appointment of Arbitrator by the

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[2] (i) First reach: Ginger Hotel Bridge to Krishna Nagar Main Road Culvert (705 meters); (ii) Second reach: Krishna Nagar Main Road Culvert to Adithi Hotel Bridge (720 meters) and (iii) Improvement work to inspection track from Muthialpet Fish Market to Krishna Nagar Main Road Culvert.

Department, the contractor appealed in the Hon'ble High Court of Madras which directed (September 2020) for appointment of an Arbitrator. The Arbitrator was appointed in November 2020.

An award of ₹ 1.46 crore[3] was made to contractor by the Arbitrator (August 2021) and if the payment was not effected immediately, the Department should pay a simple interest of 12 *per cent* per annum for the delayed payment. Based on the opinion of Law Department (December 2021) that filing petition to set aside the award would not be fruitful, no appeal was preferred by PWD. It is pertinent to note that an amount of ₹ 5.77 lakh has been sanctioned as Arbitration Fees, but the awarded amount was yet to be sanctioned.

Thus, non-handing over of clear work site and non-furnishing of alternative technology of work to be adopted had resulted in abandoning of work by the contractor after partly executing the work in the first reach which resulted in unproductive expenditure of ₹ 5.37 crore[4] besides liability of ₹ 1.75 crore[5] towards arbitration award despite clear instructions (October 2015) from the Finance Department to settle the arbitration award expeditiously so as to avoid payment of interest. The above lapse also resulted in non-achievement of the intended objective of providing protection wall and cement concrete lining to the bottom of the drain to prevent inundation and entry of sewage water in the residential areas.

The Chief Engineer, PWD stated (March 2023) that the expenditure was productive since an asset has been created. The fact, however, remained that objective of construction of drainage was not achieved since the work was not completed till date and as a result, the population residing in the area where the work was not completed remain exposed to hazards.

The matter has been referred to Government in January 2023; reply has not been received.

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3 Pending bills: ₹ 0.41 crore, loss on expected profit: ₹ 0.34 crore, unnecessary bank commission: ₹ 0.07 crore, overhead establishment charges: ₹ 0.32 crore, interest on belated payment of running bills: ₹ 0.09 crore, refund of Security Deposit: ₹ 0.20 crore and cost of arbitration: ₹ 0.03 crore = ₹ 1.46 crore.

4 ₹ 4.17 crore for completed work; ₹ 1.14 crore for interest to HUDCO loan and Arbitration Fees: ₹ 0.06 crore.

5 ₹ 1.46 crore towards arbitration award *less* ₹ 0.20 crore towards security deposits *plus* ₹ 0.49 crore towards avoidable interest payment.

Recommendation: *Government must ensure that Project planning and approval are based on site condition and clear land availability. Arbitration awards should be paid within the prescribed period to avoid payment of interest.*

4.3 Idle investment

PUBLIC WORKS DEPARTMENT

4.3.1 Idle investment on incomplete works

Despite spending ₹ 1.14 crore out of the total project cost of ₹ 1.21 crore on the work of fish drying platform, the failure of the Department to complete the scanty portion of work resulted in idle investment and denial of benefits to fishermen community.

Guirempeta is a fishermen community hamlet situated on the eastern side of Coringa river in Yanam Region. Public Works Department (PWD), Yanam proposed to construct a Fish Drying Platform (August 2013) at an estimated cost of ₹ 1.70 crore. The scope of the work included construction of retaining wall and cement concrete flooring for drying fish. Expenditure sanction was accorded by the Government of Puducherry (GoP) in March 2014 for ₹ 1.77 crore under Corporate Social Responsibility (CSR) fund of Gujarat State Petroleum Corporation Limited which had undertaken drilling operation in Yanam Region.

After due tender process, the work was awarded (June 2014) to the lowest bidder for a value of ₹ 1.21 crore. The agreement was executed on 04 July 2014 and the work was to be completed on 03 January 2015. The design approval for the work was given by the Department in August 2014. The contractor constructed only the retaining wall partially till March 2016 for a value of ₹ 1.14 crore. The contractor without completing the retaining wall and without executing the cement concrete platform, abandoned the work (March 2016) citing delay in payment by the Department. As of March 2017, an amount ₹ 1.02 crore was paid to the contractor leaving ₹ 12.55 lakh unpaid. The request of contractor for foreclosure of the work was accepted by the Division and approved (February 2018) by the Superintending Engineer.

The Regional Administrator, Yanam requested (June 2019) the Director of Industries and Commerce, who is the co-ordinator of CSR Committee, for

release of the pending amount for the works completed under the CSR funds which included the amount due for the works executed by PWD. As the said work was not completed by the contractor as per agreement, justification from the Division for foreclosure of the work was sought for by Additional Secretary (Industries and Commerce)-cum-Co-ordinator-CSR Committee. The Regional Administrator, Yanam forwarded (March 2020) the justification submitted by the Division and requested the Director of Industries and Commerce for release of balance amount.

The contractor requested (October 2020) the Division for payment of the balance amount. As the payment was not made, the contractor approached the High Court of Madras to issue directions to the GoP for payment of the due amount. The Court directed (January 2022) the GoP to implement the request of the Regional Administrator, Yanam. Sanction of the CSR Committee for payment of ₹ 12.55 lakh was issued in May 2022 and the amount was paid to contractor in June 2022.



Incomplete platform without concrete lining



Partially constructed retaining wall

Audit scrutiny revealed that:

- Non-payment for the value of work done was the reason attributed by the contractor for suspension of the work which was also recorded in the hindrance register of the work by the Department. The work remained incomplete after incurring an expenditure of ₹ 1.02 crore. However, scrutiny of budget records revealed that an amount of ₹ 1.58 crore was allowed to lapse in the concerned head of account during 2014-15. It was also noticed that an amount ₹ 14.93 lakh was paid to the contractor during March 2017 *i.e.,* after the suspension of work in March 2016 leaving ₹ 12.55 lakh as pending. Thus, non-release of funds despite availability of funds was unjustified and led to abandoning of work by the contractor.

- It was also noticed that though the CSR Committee instructed (February 2020) to go for fresh sanction, no action was initiated by the Division for completion of the work since its suspension by the contractor in March 2016.

Thus, delay in release of a meagre amount of ₹ 12.55 lakh to the contractor in spite of availability of budget provision and lackadaisical approach of the Department in completion of work after incurring an expenditure of ₹ 1.14 crore resulted in non-completion of the work for more than six years besides non-achievement of social objective of construction of fish drying platform for the fishermen community.

The Executive Engineer, PWD, Yanam stated (February 2023) that action was being taken to complete the balance work through CSR funds or Government funds. The Chief Engineer, PWD further stated (March 2023) that the main reason for delay was due to non-release of funds and after completion of the balance work, the entire project would be brought to full utilisation for the intended purpose. The fact, however, remained that the Department failed to act despite the CSR Committee's instructions in February 2020 to complete the work through fresh sanction and the works started in January 2015 was still incomplete.

The observation was reported to the Government in December 2022 and reminder was issued in March 2023. Reply is awaited (March 2023).

Recommendation: *Responsibility for non-completion of the work may be fixed on the concerned officials.*

4.4 Excess expenditure

PUBLIC WORKS DEPARTMENT

4.4.1 Excess payment to contractors

Notification of incorrect base price of bitumen in the Notice Inviting Tenders had resulted in excess payment of ₹ 82.84 lakh on road improvement works.

Clause 10 CA of the Central Public Works Department (CPWD) Works Manual, 2014 provided for adjustment in cost of work due to variation in prices of costly materials constituting substantial part of the work. The authority

inviting tenders, could consider bringing material like cement, steel reinforcement bars, structural steel, bitumen, etc., under the ambit of this clause. Further, it was made mandatory in December 2008 to mention the base price of all materials covered under Clause 10 CA prevailing at the time of the last stipulated date for receipt of tenders. In Union Territory of Puducherry, the Chief Engineer (CE), Public Works Department (PWD), Puducherry is the competent authority for the issue of base prices of the materials covered under Clause 10 CA.

Audit scrutiny of records in the Offices of the CE, PWD and Executive Engineer (EE), Buildings and Road (North) Division, PWD revealed that administrative approval and expenditure sanction for two road works were accorded (February 2021) by the Government of Puducherry for ₹ 9.92 crore. Tenders were called for (August 2021) and work orders were issued (September 2021) to the lowest tenderers for ₹ 6.60 crore and ₹ 2.62 crore respectively. The works were completed in June and July 2022 and the contractors were paid ₹ 7.50 crore and ₹ 3.29 crore respectively. It was noticed that on completion of works, the contractors requested (July/September 2022) for payment of escalation charges under 10 CA for the bitumen component. Accordingly, the contractors were paid cost escalation for bitumen amounting to ₹ 1.38 crore and ₹ 0.56 crore respectively adopting the base rate of bitumen as ₹ 37,411.67 per MT.

In this regard, audit observed the following:

In the Notice Inviting Tenders (NIT), the base price for the materials to be considered for Clause 10 CA was notified as the rates as per Puducherry Schedule of Rates (PSR) for the year 2020-21. The rate of bitumen as per PSR 2020-21 was ₹ 37,411.67 per Metric Tonne (MT). However, the rate of Bitumen in August 2021 as per the cost worked out by the PWD based on the rates of Indian Oil Corporation Limited (IOCL) was ₹ 45,905.77 per MT. Adopting this as the base rate, the cost escalation to be paid to the contractors worked out to ₹ 80.81 lakh and ₹ 30.74 lakh respectively.

The failure of the Department to notify the correct rate of bitumen as per the IOCL rates which prevailed on the date of tender in the NIT had resulted in excess payment to contractors to the tune of ₹ 82.84 lakh as detailed in **Appendix 4.1**.

The Chief Engineer, PWD accepted the audit observation and stated (March 2023) that action had been initiated to recover the excess payment made to the contractors.

The matter was referred to Government in January 2023; reply has not been received.

Recommendation: *The Department should adopt the rates of IOCL prevailing on the date of Notice Inviting Tenders to ensure correctness of cost escalation payable to contractors.*

Chennai,
The 08 August 2024

(K.P. ANAND)
Principal Accountant General (Audit - II),
Tamil Nadu and Puducherry

Countersigned

New Delhi,
The 22 August 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendix 1.1

(Reference: Paragraph 1.5.1; Page 4)

Details of IRs issued upto March 2022 and paragraphs pending as on September 2022

Sl. No.	Name of the Department/Directorate/Societies	Inspection Reports	Paragraphs
1	Accounts and Treasuries	10	36
2	Adi-Dravidar Welfare	15	78
3	Agriculture	38	207
4	Animal Husbandry and Animal Welfare	7	32
5	Art and Culture	5	16
6	Backward Classes and Minorities	4	15
7	Civil Supplies and Consumer Affairs	13	68
8	Collegiate and Technical Education	55	231
9	Co-operation	13	87
10	Economics and Statistics	1	2
11	Election	0	0
12	Electricity	20	93
13	Fire Service	1	4
14	Fisheries and Fishermen Welfare	23	89
15	Forest and Wild Life	1	9
16	Heads of State	7	42
17	Health and Family Welfare Services	49	197
18	Hindu Religious Institutions	4	26
19	Industries and Commerce	25	90
20	Information and Publicity	5	14
21	Information Technology	6	21

Sl. No.	Name of the Department/Directorate/Societies	Inspection Reports	Paragraphs
22	Jails	4	20
23	Labour and Employment	26	80
24	Law/Judicial	11	21
25	Local Administration	47	358
26	Planning and Research	3	17
27	Police	10	58
28	Port	4	21
29	Public Works	64	421
30	Revenue and Disaster Management	37	181
31	Rural Development	13	104
32	Sainik Welfare	1	4
33	School Education	80	268
34	Science, Technology and Environment	8	24
35	Social Welfare	21	78
36	Stationery and Printing	4	8
37	Survey and Land Records	3	12
38	Tourism	14	76
39	Town and Country Planning	19	115
40	Transport	4	21
41	Women and Child Development	12	34
Total		**687**	**3,278**

Appendix 2.1

(Reference: Paragraph 2.7.6.5 (c); Page No. 20)

List of cancelled dealers where final return not filed pending collection of tax (Goods Division III)

Sl. No.	GSTIN	Name	Date of cancellation	Mode of cancellation	Undischarged liability		Final Return
					Year	Amount (In ₹)	
1	34xxxxxxxxxx1ZO	NST Impex Private Limited	31.01.2019	*suo motu*	2017-18	4,23,014	Not filed
2	34xxxxxxxxxx1Z9	Baba Plastics	30.09.2018	*suo motu*	2017-18	3,00,000	Not filed
3	34xxxxxxxxxx1Z7	Atlas Copco India Limited	01.04.2021	On application of tax payer	2017-18	2,17,999	Not filed
4	34xxxxxxxxxx1ZJ	Gayathree Industries	30.04.2021	*suo motu*	2017-18	11,330	Not filed
5	34xxxxxxxxxx1ZV	The Star Cars Private Limited	30.09.2021	On application of tax payer	2017-18	2,46,245	Not filed
6	34xxxxxxxxxx1Z8	Sanjey Environmental Solutions	14.12.2020	Suspended	2017-18	1,806	Not filed
7	34xxxxxxxxxx1ZI	Jayalakshmi Engineering	30.09.2019	*suo motu*	2018-19	12,26,458	Not filed
8	34xxxxxxxxxx1Z9	Thirumuruga Polymers	30.06.2019	*suo motu*	2018-19	6,99,457	Not filed
9	34xxxxxxxxxx1ZI	J J Packaging	30.09.2018	*suo motu*	2018-19	2,97,733	Not filed
10	34xxxxxxxxxx1ZR	Equipments & Services	30.11.2019	*suo motu*	2018-19	1,07,331	Not filed
11	34xxxxxxxxxx1ZJ	Gayathree Industries	30.04.2021	*suo motu*	2018-19	96,832	Not filed

SI. No.	GSTIN	Name	Date of cancellation	Mode of cancellation	Undischarged liability		Final Return
					Year	Amount (In ₹)	
12	34xxxxxxxxxx1ZW	Om Muruga Pack	31.12.2018	*suo motu*	2018-19	80,356	Not filed
13	34xxxxxxxxxx2ZY	Anbu Plastic	31.07.2018	*suo motu*	2018-19	3,69,612	Not filed
14	34xxxxxxxxxx1ZO	NST Impex Private Limited	31.01.2019	*suo motu*	2018-19	27,000	Not filed
15	34 xxxxxxxxxx1ZI	Jayalakshmi Engineering	30.09.2019	*suo motu*	2019-20	2,39,500	Not filed
16	34xxxxxxxxxx1Z9	Thirumuruga Polymers	30.06.2019	*suo motu*	2019-20	72,426	Not filed
17	34xxxxxxxxxx1ZN	Redcross Laboratory	14.12.2020	Suspended	2019-20	1,42,637	Not filed
18	34xxxxxxxxxx1Z6	Serra Exim	31.08.2020	*suo motu*	2019-20	81,324	Not filed
19	34xxxxxxxxxx1ZN	Redcross Laboratory	14.12.2020	Suspended	2020-21	19,221	Not filed
20	34xxxxxxxxxx1ZJ	Gayathree Industries	30.04.2021	*suo motu*	2020-21	5,30,353	Not filed
21	34xxxxxxxxxx1ZH	Malaa	31.05.2021	*suo motu*	2020-21	27,959	Not filed
22	34 xxxxxxxxxx1ZE	S K Traders	22.10.2020	*suo motu*	2020-21	28,122	Not filed
23	34xxxxxxxxxx1Z8	Sanjey Environmental Solutions	14.12.2020	Suspended	2020-21	93,400	Not filed
24	34 xxxxxxxxxx1ZJ	Gayathree Industries	30.04.2021	*suo motu*	2021-22	14,016	Not filed
Total						**53,54,131**	

Appendix 2.2

(Reference: Paragraph 2.7.6.5 (c); Page No. 20)

List of cancelled dealers where final return not filed pending collection of tax (Karaikal Division)

Sl. No.	GSTIN	Legal Name	Date of Registration	Date of Initiation of Notice	Date of Filing Application	Reason of Cancellation	Date of Order	Date of Effect of Cancellation	Amount pending collection (₹ in crore)
1	34xxxxxxxxxx1ZE	Verdant	01-07-2017	18-09-2019	18-09-2019	Failure to furnish returns for a continuous period	10-10-2019	10-10-2019	0.0049 in R9 (table 10) not collected
2	34xxxxxxxxxx1Z9	Selvanatha	01-07-2017	22-01-2021	22-01-2021	Failure to furnish returns for a continuous period	08-02-2021	30-11-2019	R1 tax is 0.11/- (3-2020) 3B not filed

Appendix 2.3

(Reference: Paragraph 2.7.7.2; Page No. 24)

Centralised Audit - Accepted cases

Dimension	Sl. No.	Tax Payer Name	GSTINs	Division	Amount (₹ in crore)	Remarks
Excess availing ITC (D1)	1	Vodafone Mobile Services Limited	34xxxxxxxxxx1ZV	Service Division	0.33	ASMT -10 had been issued to the taxpayer.
	2	URC Construction Private Limited	34xxxxxxxxxx1Z5	Service Division	0.32	ASMT -10 had been issued to the taxpayer.
Excess availing ITC under RCM (D2)	3	**Aircel Limited**	34xxxxxxxxxx1Z9	Service Division	0.25	ASMT-10 issued.
	4	SPI Technologies India Private Limited	34xxxxxxxxxx1ZQ	Service Division	0.15	Excess RCM of ₹ 0.15 crore (IGST) reversed on 19.3.22 by the newly amalgamated company. Action taken at the instance of Audit.
	5	Rooster Automobiles	34xxxxxxxxxx1Z0	Goods Division I	0.08	₹ 0.08 crore recovered vide DRC 03 dt 21.3.22. Recovery at the instance of Audit.
	6	Sakthi Murugan Waste Paper Mart	34xxxxxxxxxx1ZO	Goods Division II	0.05	₹ 0.05 crore paid on 23.9.22. Amount recovered at the instance of Audit.
Availing of ITC under Reverse Charge Mechanism without payment (D3)	7	**Bala Medicals**	34xxxxxxxxxx1ZI	Goods Division I	0.03	Tax payer availed excess ITC under RCM of amount ₹ 0.03 crore. Department issued notice to the tax payer.
ISD ITC Mismatch (D4)	8	Hindustan Unilever Limited	34xxxxxxxxxx1ZZ	Goods Division III	6.32	Audit raised excess availment of ₹ 6.32 crore as ISD credit (April 2022). Department stated (May 2023) that the assesse has not filed Tran-1 and wrongly availed the transitional credit ₹ 6.32 crore in GSTR-3B. Subsequently, the assesse filed revised Tran-1 on October 2022 for ₹ 6.32 crore as CGST credit. CGST authorities certified (February 2023) that assesse was not eligible for Transition credit of ₹ 6.32 crore. Department raised demand of ₹ 6.32 crore.

Dimension	Sl. No.	Tax Payer Name	GSTINs	Division	Amount (₹ in crore)	Remarks
Mismatch in turnover between Annual return and Financial Statements (Table 5R of Form 9C) (D7)	9	Vodafone Idea Limited	34xxxxxxxxxx1Z2	Service Division	NA	ASMT -10 had been issued to the taxpayer.
	10	Peekay Petroleum	34xxxxxxxxxx1ZL	Mahe	NA	The dealer has been taken up for comprehensive scrutiny audit under section 65 of the PGST Act, 2017.
Mismatch in taxable turnover between Annual return and Financial Statements (Table 7G of Form 9C) (D8)	11	Malar Publications Limited	34xxxxxxxxxx1Z6	Service Division	NA	ASMT-10 had been issued to the taxpayer.
	12	The Oriental Insurance Company Limited	34xxxxxxxxxx2Z3	Service Division	NA	ASMT-10 had been issued to the taxpayer.
Mismatch in tax paid between books of accounts and Annual Return (Table 9R of Form 9C) (D9)	13	Schangalaya Motors	34xxxxxxxxxx1ZB	Goods Division II	0.07	Recovery at the instance of audit. ₹ 0.07 crore interest to be paid.
	14	Sri Lakshmi Agencies	34xxxxxxxxxx1Z0	Goods Division II	0.03	Notice issued.
	15	Roadmap IT Solutions Private Limited	34xxxxxxxxxx3ZX	Service Division	0.03	Tax of ₹ 0.03 crore paid on 19.7.22. Recovery at the instance of audit. However, interest to be paid for delayed payment. Notice issued.
	16	Prashanth Properties Private Limited	34xxxxxxxxxx1ZH	Service Division	0.05	Paid tax of ₹ 0.03 crore and interest of ₹ 0.02 crore vide DRC 03 dt 21.4.22. Recovery at the instance of audit.
	17	Vasanth Agency's	34xxxxxxxxxx1ZH	Goods Division II	0.02	Tax of ₹ 1.65 lakh already paid by Tax Payer with interest on 2.1.2020. The balance interest of ₹ 0.41 lakh was paid on 23.08.2022 on being pointed out by Audit.
	18	Sree Gokulam Chit and Finance Co Private Limited	34xxxxxxxxxx1Z8	Service Division	0.02	Tax paid. However, interest for delayed payment to be recovered. Notice issued.
Unsettled Liability (D10)	19	Sathyam Agencies	34xxxxxxxxxx1ZG	Goods Division I	2.27	Audit queried (February 2022) that there was undischarged tax liability of ₹ 2.27 crore while comparing GSTR1 and GSTR 9. Department stated that a notice was issued in this regard in March 2022. Subsequently, GST authorities had taken up investigation relating to short payment of Tax.

Dimension	Sl. No.	Tax Payer Name	GSTINs	Division	Amount (₹ in crore)	Remarks
						Department stated that (May 2023) documents relating to the assesse sent to GST authorities along with request to take account the subject matter of notice issued by state authorities while determining the liability.
	20	Kiran Global Chem Limited	34xxxxxxxxxx1ZM	Karaikal	0.41	Audit queried (February 2022) that there was undischarged tax liability of ₹ 0.41 crore. Department stated in May 2023 that SCN had been issued. However, the assesse had filed insolvency petition and hence department had informed the resolution personal to consider the tax first before clearing other dues.
	21	Sri Ganesh Electricals	34xxxxxxxxxx1ZY	Goods Division I	0.37	The tax payer has been taken up for Audit under section 65 of the GST Act, 2017.
Short payment of Interest on delayed payments (D11)	22	Siechem Technologies Private Limited	34xxxxxxxxxx1ZV	Goods Division III	0.27	Department stated that (May 2023) amount recovered in April 2022 and December 2022.
	23	Orion Security Solutions Private Limited	34xxxxxxxxxx1ZP	Service Division	0.15	Notice issued.
	24	Vengatesan Labour Contract	34xxxxxxxxxx1Z2	Service Division	0.08	Notice issued.
	25	Jayaprakash Narayan Co-Op Spinning Mills	34xxxxxxxxxx1Z4	Karaikal	0.06	Notice issued.
	26	Rajaganapathy Board Mills Pvt Ltd	34xxxxxxxxxx1ZO	Goods Division III	0.06	ASMT-10 Issued.
	27	Kiran Global Chem Limited	34xxxxxxxxxx1ZM	Karaikal	0.04	Audit queried (February 2022) that there was undischarged tax liability of ₹ 0.04 crore. Department stated in May 2023 that SCN had been issued. However, the assesse had filed insolvency petition and hence department had informed the resolution personal to consider the tax first before clearing other dues.

Dimension	Sl. No.	Tax Payer Name	GSTINs	Division	Amount (₹ in crore)	Remarks
	28	KLAS	34xxxxxxxxxx1ZW	Goods Division III	0.04	Accepted by department. Recovery made - ₹ 0.04 crore paid on 29/3/22 and 24/5/22 - recovery at the instance of Audit.
	29	Premi Engineering	34xxxxxxxxxx2ZE	Goods Division III	0.04	Notice issued.
	30	United Die Casting Pvt Ltd	34xxxxxxxxxx1ZZ	Goods Division III	0.04	Notice issued.
Total					**11.58**	

Appendix 2.4

(Reference: Paragraph 2.7.7.2; Page No. 24)

Summary of Deviation

(₹ in crore)

Audit Dimension	Cases where response received		Cases yet to be examined by the Department		Department reply is acceptable to the Audit						Compliance deviations									
					Data Entry errors		Action taken before query		Other valid explanation		Recovery# made or SCN issued		ASMT-10 issued		Notice @ issued		Department's reply not acceptable to Audit		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
ITC Mismatch (D1)	25	17.97	--	--	1	2.69	5	3.63	5	3.18	--	--	2	0.65	--	--	12	7.82	14	8.47
RCM ITC availed (D2)	25	4.18	--	--	17	3.06	3	0.29	1	0.29	3	0.29	1	0.25	--	--	0	0	4	0.54
RCM payment (D3)	9	0.31	--	--	4	0.13	--	--	4	0.14	--	--			1	0.03	0	0	1	0.03
ISD ITC Mismatch (D4)	10	11.82	--	--	7	4.85	--	--	2	0.65	1	6.32	--	--	--	--	--	--	1	6.32
12F Excess ITC (D5)	10	11.08	--	--	3	4.01	1	0.73	6	6.33	--	--	--	--	--	--	--	--	--	--
14T Ineligible ITC (D6)	12	56.07	--	--	2	6.61	3	20.93	7	28.52	--	--	--	--	--	--	--	--	--	--
5R Total Turnover (D7)[1]	25	1,903.17	--	--	16	166.67	--	--	7	1,732.82	--	--	1	1.20	1	4.00	--	--	2	5.20

Audit Dimension	Cases where response received		Cases yet to be examined by the Department		Department reply is acceptable to the Audit						Compliance deviations									
					Data Entry errors		Action taken before query		Other valid explanation		Recovery[#] made or SCN issued		ASMT-10 issued		Notice [@] issued		Department's reply not acceptable to Audit		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
7G Taxable Turnover (D8)[2]	20	116.90	--	--	8	67.62	3	2.51	7	46.61	--	--	2	0.15	--	--	--	--	2	0.15
9R - Tax paid (D9)	25	2.91	--	--	--	--	8	0.61	6	1.08	4	0.16	--	--	2	0.05	5	0.19	11	0.40
Unsettled Liability (D10)	10	10.01	--	--	1	0.41	2	3.09	2	2.21	1	0.41	--	--	2	2.65	2	0.39	5	3.45
Interest short paid (D11)	10	0.85	--	--	--	--	1	0.08	--	--	3	0.35	1	0.06	5	0.36	--	--	9	0.77
Total[^]	**181**	**115.20**	**--**	**--**	**59**	**21.76**	**26**	**29.36**	**47**	**42.40**	**12**	**7.53**	**7**	**0.96**	**11**	**3.09**	**19**	**8.40**	**49**	**19.98**

[#] Recovery made of ₹ 0.76 crore in 9 cases.

[1] Total unreconciled turnover (TO) in table 5R of GSTR 9C in 25 cases where responses received is ₹ 1,903.17 crore, out of which ₹ 166.67 crore in sixteen cases were due to data entry error, in seven cases with TO ₹ 1,732.82 crore department furnished valid explanation, in two cases with TO ₹ 5.20 crore department issued ASMT-10/Notice.

[2] Total unreconciled turnover (TO) in table 7G of GSTR 9C in 20 cases where responses received is ₹ 116.90 crore, out of which ₹ 67.62 crore in eight cases were due to data entry error, ASMT-10 was issued in two cases with TO ₹ 0.15 crore ATBQ in three cases with TO ₹ 2.51 crore, in seven cases with TO ₹ 46.61 crore department furnished valid explanation.

@ Nature of notice issued not been communicated.

^ 5R unreconciled turnover and 7G unreconciled taxable turnover has not been taken into account in Total summation.

Appendix 2.5

(Reference: Paragraph 2.7.7.3 (b); Page No. 29)

Rebuttal cases

Dimension	Sl. No.	Tax payer name	GSTIN	Division	Amount (₹ in crore)	Remarks
Excess availing of ITC (D1)	1	MRF Limited	34xxxxxxxxxx1ZS	Goods Division III	2.30	Department replied that IGST was not captured in GSTR 2A. However, ITC on import was not take into account while comparing GSTR 3B vs GSTRV 2A.
	2	Acer India Private Limited	34xxxxxxxxxx1ZK	Goods Division III	1.19	Department replied that the difference of excess availing of ITC due to imports. Reply was not accepted as amount mentioned in Table 8(c)-GSTR -9 was not taken into consideration.
	3	Packaging India Pvt Ltd	34xxxxxxxxxx1ZB	Goods Division III	0.61	Department replied that there was no excess availing of ITC. However, supporting documents were not furnished.
	4	Hidesign India Private Limited	34xxxxxxxxxx1Z4	Goods Division III	0.60	Department replied that the difference of excess availing of ITC due to imports. Reply not accepted as ITC on imports were excluded for comparison of ITC with GSTR 2A.
	5	India Nippon Electricals Ltd	34xxxxxxxxxx1ZI	Goods Division III	0.53	Department replied that there was no excess availing of ITC. However, supporting documents were not furnished.
	6	Poclain Hydraulics Private Limited	34xxxxxxxxxx1ZZ	Goods Division III	0.51	Department replied that there was no excess availing of ITC. However, supporting documents were not furnished.
	7	KBR Infratech Limited	34xxxxxxxxxx1Z2	Service Division	0.42	Department replied that excess availing ITC was reversed in April 2018. Supporting documents were not furnished.
	8	Aeon Formulations Private Limited	34xxxxxxxxxx1ZC	Goods Division III	0.37	Department replied that the difference of excess availing of ITC was due to imports. Reply not accepted as ITC on imports were excluded for comparison of ITC with GSTR 2A.

Dimension	Sl. No.	Tax payer name	GSTIN	Division	Amount (₹ in crore)	Remarks
	9	Raman Traders	34xxxxxxxxxx1ZS	Goods Division III	0.35	Department replied that there was no excess availing of ITC. However, supporting documents were not furnished.
	10	Chakrapani Vyapar Private Limited	34xxxxxxxxxx1ZK	Goods Division II	0.34	Department replied that mismatch was due to IGST on imports. However, ITC on imports was not considered for comparison of 2A V 3B.
	11	Kingfa Science & Technology (India) Limited	34xxxxxxxxxx1ZP	Goods Division III	0.32	Department replied that there was no excess availing of ITC. However, supporting documents were not furnished.
	12	Mico Poly Pack	34xxxxxxxxxx1Z5	Goods Division II	0.28	Department replied that ITC mismatch was due to purchase from SEZ and IGST. Reply not accepted as ITC on imports was excluded for comparison of ITC with GSTR 2A.
Mismatch in tax paid (9R-9C) (D9)	13	Suja Shoei Industries Private Limited	34xxxxxxxxxx1ZN	Goods Division III	0.01	Audit queried (February 2022) there was mismatch in tax liability of ₹ 0.85 crore as per Table 9R of GSTR 9C. Department replied (May 2023) that excess tax liability was due to wrong entry in GSTR 3B of month July-17 though assessee had paid the amount. The same was adjusted in July 2018. Audit accepted this fact. However, adjustment was only ₹ 0.84 crore and still short payment of tax liability of ₹ 78,616.
	14	Vintage Spirits Private Limited	34xxxxxxxxxx1ZF	Karaikal	0.08	Audit queried (February 2022) that there was mismatch of tax liability of ₹ 0.08 crore as per table 9R of GSTR 9C. Department replied that tax payer belongs to Mahe division of Puducherry Commissionerate.
	15	Aeon Formulations Private Limited	34xxxxxxxxxx1ZC	Goods Division III	0.04	Audit queried (February 2022) that there was mismatch of tax liability of ₹ 0.04 crore as per table 9R of GSTR 9C. Department stated that (May 2023) that unreconciled tax amount of ₹ 0.04 crore was paid in 2018-19 and stated that GSTR 3B return for 2018-19 had been submitted. However, department provided the GSTR 3B of previous year.

Dimension	Sl. No.	Tax payer name	GSTIN	Division	Amount (₹ in crore)	Remarks
	16	Hitachi Payment Services Private Limited	34xxxxxxxxxx1ZL	Goods Division II	0.03	Department replied that mismatch in tax paid between books of accounts and Annual return was due to duplication of invoices. Supporting documents were not furnished.
	17	Bharti Airtel Limited	34xxxxxxxxxx1ZS	Service Division	0.03	Department replied that unreconciled amount related to Pre-GST credit notes. In the absence of annual return, audit could not ascertain the veracity of payment.
Unsettled Liability (D10)	18	Suja Shoei Industries Private Limited	34xxxxxxxxxx1ZN	Goods Division III	0.01	Audit queried (February 2022) there was mismatch in tax liability of ₹ 0.85 crore as per Table 9R of GSTR 9C. Department replied (May 2023) that excess tax liability was due to wrong entry in GSTR 3B of month July-17 though assessee had paid the amount. The same was adjusted in July 2018. Audit accepted this fact. However, adjustment was only ₹ 0.84 crore and still short payment of tax liability of ₹ 78,616.
	19	Aurovie Pools	34xxxxxxxxxx1Z3	Service Division	0.38	Department replied that difference amount was paid through DRC-03. However, the amount has been kept in cash ledger. Remaining amount ₹ 0.30 crore may be recovered.
				Total	**8.40**	

Appendix 2.6

(Reference: Paragraph 2.7.8.1; Page No. 31)

Non-production of records[1]

(₹ in crore)

Jurisdictional Range/Circle of State Tax department	Sample	Non-production	
	Number of taxpayers	Number of taxpayers	Mismatch in ITC/tax liability
Goods Division I	4	--	--
Goods Division III	8	--	--
Karaikal	6	2	0.12
Service Division	6	2	0.92
Mahe	1	1	0.75
Total	**25**	**5**	**1.79**

[1] In most of the cases, the records like State-wise balance sheet, trial balance and other basic records were not produced.

Appendix 2.7

(Reference: Paragraph 2.7.8.1; Page No. 31)

Partial production of records[2]

(₹ in crore)

Jurisdictional Range/Circle of State Tax department	Sample	Mismatch of ITC/tax liability	
	Number of taxpayers	Number of taxpayers	Amount of deviation
Goods Division - I	4	4	0.72
Goods Division - III	8	8	20.05
Karaikal	6	4	12.09
Service Division	6	4	0.46
Mahe	1	--	--
Total	**25**	**20**	**33.32**

[2] The Department did not ensure that taxpayers produced the corresponding granular records such as the supplementary financial ledgers, invoices, agreement copies etc.

Appendix 2.8

(Reference: Paragraph 2.7.8.2 (b) (1); Page No. 33)

Non/short reversal of Input Tax Credit on exempt supplies

Sl. No.	GSTINs	Tax Payer Name (M/s)	Division	Amount (In ₹)		Remarks
				Short reversal	Interest payable*	
1	34xxxxxxxxxx1ZW	Karaikal Port Private Limited	Karaikal	57,34,709	43,01,032	The department stated (May 2023) that notice[3] was issued.
2	34xxxxxxxxxx1Z2	Kannappan Iron and Steel Company Private Limited	Karaikal	36,62,125	27,46,593	The department stated (May 2023) that notice[4] was issued.
3	34xxxxxxxxxx1ZT	Ammaiyar	Karaikal	13,45,255	10,08,941	The department stated (May 2023) that notice[5] was issued.
4	34xxxxxxxxxx1ZO	United India Insurance Company Limited	Service Division	9,43,072	7,07,304	The department stated (May 2023) that additional documents would be furnished to audit. However, no such documents furnished.
5	34xxxxxxxxxx1ZS	Wipro Limited	Goods Division III	9,31,505	6,98,629	The department stated (May 2023) that the assessee had already reversed ITC. However, the reply is not accepted as the assessee had not reversed ITC in Table 7C under Rule 42. The tax payer has made Non-GST supplies and has reversed ITC of ₹ 0.08 crore. Which was not acceptable. As per the GSTR 9 there was no Non-GST supply in Table 5. Moreover, there was no ITC reversed as per Table 7C/GSTR-9.
6	34xxxxxxxxxx1ZQ	e Planet	Mahe	18,538	13,903	The department stated (May 2023) that the assessee has been taken up to Section 65 audit.
Total				**1,26,35,204**	**94,76,402**	

*calculated from 1.4.2018 to the date of issue of Audit

[3] Nature of notice not been communicated.
[4] Nature of notice not been communicated.
[5] Nature of notice not been communicated.

Appendix 2.9

(Reference: Paragraph 2.8.1; Page No. 38)

Non-collection of concession amount already availed on violation of mortgaging with other than nationalised banks/registered societies

(Amount in ₹)

Name of office	Sl. No.	Mortgage Document No.	Name of the registrant	Name of the Mortgagee	Sale (Woman Purchaser) Deed No.	Value of property	Concession of 50 *per cent* in stamp duty availed
District Registrar, Puducherry	1	26079/2019	B Varshini	City Union Bank Ltd	15072/2019	4,98,63,500	24,93,500
	2	25734/2019	R. Sujitha	ICICI Bank	23028/2019	49,00,000	2,45,000
	3	8325/2019	K. Pachaiammal	KVB Ltd.	6346/2018	9,35,000	46,750
			S. Nagalakshmi		6339/2018	9,35,000	46,750
			R. Deepa		6343/2018	17,17,000	85,850
			F. Sharmila		6341/2018	18,85,000	94,250
	4	23784/2020	Anudha Anandane Poonamalle	ICICI Bank Ltd.	2221/2018	2,40,00,000	12,00,000
	5	10876/2020	S. Sreeranjeni	City Union Bank Ltd	12596/2018	1,36,32,000	6,81,600
		10876/2020	S. Minatchy		12598/2018	1,20,28,000	6,01,400
		10876/2020	S. Sumithra		12599/2018	1,36,24,000	6,81,200
SR, Oulgaret	6	8339/2019	R. Kousalya	Punjab National Bank - Housing Finance Bank Ltd.	2388/2017	1,16,00,000	5,80,000
	7	8528/2020	S. Anuradha	ICICI Bank Ltd.	10973/2019	1,40,00,000	7,00,000
	8	8196/2019	Jane Rudy.R	City Union Bank Ltd	735/2015	14,40,000	72,000
	9	8184/2019	Asha V Mehta	Kotak Mahindra Bank Ltd	24495/2015	25,74,000	1,28,700
					24496/2015	25,74,000	1,28,700
					24497/2015	25,74,000	1,28,700
SR, Villianur	10	14652/2019	Ayesha Bee	City Union Bank Ltd	2019/12561	35,64,000	1,78,200
	11	21857/2019	S T Sankari	ICICI Bank Ltd.	2019/5686	3,60,000	18,000
	12	6986/2021	Yasodha	Shri. Pio Alborate	2020/16259	3,20,000	16,000
Total							**81,26,600**

Appendix 2.10

(Reference: Paragraph 2.8.1; Page No. 38)

Non-withdrawal of concession amount availed on violation of rules by Women Property Purchasers

(Amount in ₹)

Name of office	Sl. No.	Document No.	Name of the registrant	Sold to	Sale (Woman Purchaser) Deed No.	Value of property	Concession of 50 *per cent* in stamp duty availed
District Registrar, Puducherry	1	20667/2020	Amudha @ Ayesha Beevi	Trf to son	1474/2018	60,00,000	3,00,000
SR, Karaikal	2	15668/2020	Smt. Sindhiya	Rajasekar	12485/2020	21,75,000	1,08,750
SR, Oulgaret	3	24932/2018	Saroja	Mani	27649/2019	9,52,000	47,600
	4	18343/2016	Balamballe Adisankar	Narasimhan	10870/2019	30,00,000	1,50,000
	5	4010/2017	Deepalakshmi	D. Iagaradjane	13018/2019	20,70,000	1,03,500
	6	14260/2017	Saranya @ Vijayalakshmi	Budhraj Jain	18866/2019	36,50,000	1,82,500
	7	13649/2019	Dharani Vadiambigai	Dhanalakshmi Srinivasan Chit Funds (P) Ltd	7149/2020	18,00,000	90,000
	8	9619/2017	Vidhya Prithvirajan Principal S.Ravichandran Agent	Ravikumar	5214/2021	1,00,00,000	5,00,000
Total							**14,82,350**

Appendix 2.11

(Reference: Paragraph 2.8.2; Page No. 39)

Short collection of Stamp Duty and Registration Fee in respect of lease documents

(Amount in ₹)

Name of the office	Sl. No.	Document No.	Year	Name of the lesee	Annual rental value of the property	GST @18%	Total value	Stamp Duty due @2.25%	Stamp Duty paid	Stamp Duty to be paid (1)	Registration Fee Due @0.5%	Registration Fee paid	Registration Fee to be paid (2)	Short collection of stamp duty and Regn. fee (1+2)
SR, Tirunallar	1	9971	2019	Natesan	7,82,25,600	1,40,80,608	9,23,06,208	20,76,890	20	20,76,870	4,61,531	3,91,326	70,205	21,47,075
	2	10070	2019	Chinnaiyan	8,10,36,000	1,45,86,480	9,56,22,480	21,51,506	20	21,51,486	4,78,112	4,05,376	72,736	22,24,222
	3	10131	2019	Moorthy	2,58,22,896	46,48,121	3,04,71,017	6,85,598	20	6,85,578	1,52,355	1,29,311	23,044	7,08,622
	4	11279	2019	Selvaraj	26,64,000	4,79,520	31,43,520	70,729	20	70,709	15,718	13,516	2,202	72,911
	5	11433	2019	Parthiban	3,66,24,000	65,92,320	4,32,16,320	9,72,367	20	9,72,347	2,16,082	1,83,317	32,765	10,05,112
	6	11506	2019	Ganesan	38,40,000	6,91,200	45,31,200	1,01,952	20	1,01,932	22,656	19,397	3,259	1,05,191
	7	11523	2019	Pethaperumal	3,31,380	59,648	3,91,028	8,798	20	8,778	1,955	1,856	99	8,877
	8	11747	2019	Maran	96,60,000	17,38,800	1,13,98,800	2,56,473	20	2,56,453	56,994	20,322	36,672	2,93,125
	Total (i)				**23,82,03,876**	**4,28,76,697**	**28,10,80,573**	**63,24,313**	**160**	**63,24,153**	**14,05,403**	**11,64,421**	**2,40,982**	**65,65,135**
SR, Karaikal	9	11813	2019	P. Parthiban	52,44,000	9,43,920	61,87,920	1,39,228	20	1,39,208	30,940	26,416	4,524	1,43,732
	10	11854	2019	S. Thenaruvi	1,06,80,000	19,22,400	1,26,02,400	2,83,554	20	2,83,534	63,012	53,596	9,416	2,92,950
	11	11286	2019	Amelorphilo @ Anthony Raj	72,24,000	13,00,320	85,24,320	1,91,797	20	1,91,777	42,622	36,221	6,401	1,98,178

Name of the office	Sl. No.	Document No.	Year	Name of the lesee	Annual rental value of the property	GST @18%	Total value	Stamp Duty due @2.25%	Stamp Duty paid	Stamp Duty to be paid (1)	Registration Fee Due @0.5%	Registration Fee paid	Registration Fee to be paid (2)	Short collection of stamp duty and Regn. fee (1+2)
	12	11277	2019	Boopathy	1,02,56,052	18,46,089	1,21,02,141	2,72,298	20	2,72,278	60,511	51,386	9,125	2,81,403
	13	10588	2019	K. Kumaravelu	2,34,480	42,206	2,76,686	6,225	20	6,205	1,383	1,371	12	6,218
	14	11467	2019	P. Parthiban	3,66,24,000	65,92,320	4,32,16,320	9,72,367	20	9,72,347	2,16,082	91,661	1,24,421	10,96,768
	15	11508	2019	S. Ganesan	1,37,40,000	24,73,200	1,62,13,200	3,64,797	20	3,64,777	81,066	68,897	12,169	3,76,946
	Total (ii)				**8,40,02,532**	**1,51,20,455**	**9,91,22,987**	**22,30,267**	**140**	**22,30,127**	**4,95,615**	**3,29,548**	**1,66,067**	**23,96,194**
	Grand Total (i + ii)				**32,22,06,408**	**5,79,97,152**	**38,02,03,561**	**85,54,580**	**300**	**85,54,280**	**19,01,018**	**14,93,969**	**4,07,049**	**89,61,329**

Appendix 3.1

(Reference: Paragraph 3.2.4; Page No. 43)

(a) Status of PAC Reports as on 31 December 2022

Sl. No.	Name of the PSU	Year of Report	Date of discussion in PAC	Status of ATN
1.	PAPSCO	2003-04	03.02.2011	Totally fourteen recommendations, out of which eight recommendations were settled and ATN awaited for six recommendations from the Department
2.	PRTC	2008-09	23.07.2013	Totally fifteen recommendations. Out of this, three recommendations were settled and ATN awaited for twelve recommendations from the Department.

(b) Recommendations of PAC and its latest position

Sl. No.	Recommendations of PAC	Latest position
1	**PAPSCO 2003-04** The Committee would like to know the present position on Funding – Share Capital (Para 7.14.5 of Audit Report and Para 88 of PAC report).	The Action Taken Notes from the Department is awaited.
2	The Committee may be informed of the present position on loss in wholesale operations. (Para 7.14.9 of Audit Report and Para 92 of PAC report)	
3	The Committee would like to know the present position on loss and reimbursement (Loss in Retail Outlets) (Para 7.14.10 of Audit Report and Para 93 of PAC report)	
4	The Committee would like to know whether Government of India has revised the margin now (Delay in claiming differential margin). (Para 7.14.12 of Audit Report and Para 95 of PAC report)	The Action Taken Notes from the Department is awaited.
5	The Company instructs that PAPSCO should adopt the methodology followed in Tamil Nadu Civil Supplies Corporation and fix a norm for each and every category of boiled rice and the extract from the output to avoid undue benefits to the private millers. Action taken in this regard may be intimated to the Committee. (Performance of modern rice mill) (Para 7.14.14 of Audit Report and Para 97 of PAC report)	

Sl. No.	Recommendations of PAC	Latest position
6	The Committee would like to know how many retail outlets were running as on 31 March 2009 and what is the reduction in the expenses on salaries and wages consequent on the closure of 6 retail outlets and keeps this item pending (Performance of vegetable retail outlets) (Para 7.14.15 of Audit Report and Para 98 of PAC report)	
	PRTC 2008-09	The Action Taken Notes from the Department is awaited.
1.	The committee would like to know the position of the share, whether it has increased and the cost of operation per km (Paras 5.2.17 to 5.21 of Audit Report and para 108 of PAC report).	
2.	The Committee observed that the Corporation should analyse the route efficiency in order to operate buses on profitable routes and to enable the Government to take a policy decision. (Para 5.2.22 of Audit Report and Para 109 of PAC report).	
3.	The Committee wants to have reply to the audit point mentioned (on fleet strength and age profile) (Paras 5.2.23 and 5.2.24 of Audit Report and Para 110 of PAC report).	
4.	The Committee would like to know the latest position (on Fleet utilisation) (Para 5.2.25 of Audit Report and para 111 of PAC report).	
5.	The Committee wants to have a note showing the reasons for reduction in vehicle productivity, the corrective measures taken by PRTC to increase the vehicle productivity. (Para 5.2.26 of Audit Report and para 112 of PAC report).	
6.	The latest position on capacity utilisation Load factor may be intimated to the Committee. (Para 5.3.37 of Audit Report and para 113 of PAC report).	
7.	The Committee wants to have a detailed note on the action taken by the Corporation to assess the profitability of routes and the decisions taken to improve the profitability of routes. (Para 5.2.28 of Audit Report and para 114 of PAC report).	
8.	The Committee wants to know the present status on cancellation of scheduled kilometers. (Para 5.2.29 of Audit Report and para 115 of PAC report).	

Sl. No.	Recommendations of PAC	Latest position
9.	The Committee wanted to know whether the fuel efficiency policy was reviewed and enhanced as prevalent in other Transport Corporations and what was the target fixed and achieved for the year 2011-12. (Para 5.2.31 of Audit Report and para 117 of PAC report).	
10.	The Committee desires that Competent Authority may be approached by the Corporation to rationalise the fares on the basis of a normative cost. (Para 5.2.34 of Audit Report and para 119 of PAC report).	
11.	The Committee wants to know the action taken by the Corporation to avoid operating loss by Volvo bus and the steps taken to rationalise the fare. (Para 5.2.35 of Audit Report and para 120 of PAC report).	The Action Taken Notes from the Department is awaited.
12.	The Committee wanted to have a report on Management Information Data and Monitoring of service parameters. (Para 5.2.36 of Audit Report and para 121 of PAC report).	The Action Taken Notes from the Department is awaited.

(Source: Data extracted from PAC Reports)

Appendix 3.2

(Reference: Paragraph 3.2.5.4 (c); Page No. 52)

Discrepancies in Integrated Fertilisers Management System

Bulk Sales	Sales without PoS machine/under reporting	Stock Transfer under reporting	PoS not in usable condition
Thondamanatham (40 MTs) P.S.Nallur (67.75 MTs) Villianur (25.5 MTs) Thirukkanur (10.2 MTs) Alankuppam (12.6 MTs)	KC Kulam (45 MTs) BGN (5.13 MTs) Thavalakuppam (23.75 MTs) Kannikoil (6.53 MTs) Bahour (25.34 MTs) Karikalampakkam (2.31 MTs) Embalam (7.26 MTs) Katerikuppam (32.12 MTs) Madagadipet (54.45 MTs) P S Palayam (41.42 MTs) Sorapet (33.35 MTs)	KC Kulam (56 MTs) BGN (12 MTs) Thavalakuppam (30.5 MTs) Kannikoil (8 MTs) Bahour (38 MTs) Embalam (12 MTs) Karikalampakkam (17 MTs), Kariamanickam (4 MTs) P.S. Nallur (35.6 MTs) Thondamanatham (35 MTs) Katerikuppam (34 MTs) Madagadipet (41.9 MTs) P S Palayam (30.48 MTs) Thirukkanur (26 MTs) and Sorapet (30.48 MTs)	Villianur BGN Tirunallar Old Bus Stand - Karaikkal Nedungadu

(Source: Details provided by respective PSUs)

Appendix 4.1

(Reference: Paragraph 4.4.1; Page No. 84)

Details of excess payment to the contractor

Bill No. and Month		Base price of Bitumen in MT as on NIT date	Cost Index on Base price (as on date of tender)	Quantity of Bitumen utilised in MT(as per M book)	Cost Index at the time of execution	Ci-Cio/ Cio	Admissible amount P x Q x Variation
		P (in ₹)	CIo	Q (in MT)	CI	Variation	₹ in lakh
Work I							
CC-I	Jan-22	45,905.77	98.29	129.81	105.21	0.0704	4.20
CC-II	Feb-22	45,905.77	98.29	127.67	118.07	0.2012	11.79
CC-III	Mar-22	45,905.77	98.29	254.90	131.35	0.3364	39.37
CC-IV	Mar-22	45,905.77	98.29	164.81	131.35	0.3364	25.45
Admissible amount							**80.81**
Work II							
CC-I	Jan-22	45905.77	98.29	71.91	105.21	0.0704	2.31
CC-II	Feb-22	45905.77	98.29	118.00	118.07	0.2012	10.90
CC-III	Mar-22	45905.77	98.29	94.91	131.35	0.3364	14.66
CC-IV	Apr-22	45905.77	98.29	17.24	133.90	0.3623	2.87
Admissible amount							**30.74**

(₹ in lakh)

Details	Amount paid	Admissible amount	Excess paid
Work I	138.00	80.81	57.19
Work II	56.39	30.74	25.65
Total	**194.39**	**111.55**	**82.84**

Glossary of abbreviations

Abbreviations	Full form
AIRF	Agriculture Input Revolving Fund
ATNs	Action Taken Notes
BIFA	Business Intelligence and Fraud Analytics
BoD	Board of Directors
CAG	Comptroller and Auditor General of India
CAG's (DPC) Act	CAG's (Duties, Powers and Conditions of Service) Act, 1971
CE	Chief Engineer
CGST	Central Goods and Services Tax
CPWD	Central Public Works Department
CSR	Corporate Social Responsibility
DBT	Direct Benefit Transfer
EE	Executive Engineer
EPF	Employees Provident Fund
GoI	Government of India
GoP	Government of Puducherry
GST	Goods and Services Tax
IFMS	Integrated Fertilisers Management System
IGST	Integrated Goods and Services Tax
IMFL	Indian Made Foreign Liquor
IOCL	Indian Oil Corporation Limited
IRs	Inspection Reports
ISD	Input Service Distributor
ITC	Input Tax Credit
KMPL	Kilometre per litre
MD	Managing Director
MT	Metric Tonne
MTC	Metropolitan Transport Corporation (Chennai) Limited
NIT	Notice Inviting Tender

Abbreviations	Full form
PAC	Committee on Public Accounts
PADCO	Puducherry Adi Dravidar Development Corporation Limited
PAPSCO	Puducherry Agro Products, Food and Civil Supplies Corporation Limited
PASIC	Puducherry Agro Services and Industries Corporation Limited
PBCMDC	Puducherry Backward Classes and Minorities Development Corporation Limited
PCWDDAP	Puducherry Corporation for Women Development and Differently Abled Persons Limited
PDL	Puducherry Distilleries Limited
PGST	Puducherry Goods and Services Tax
PGST Act	Puducherry Goods and Services Tax Act, 2017
PIPDIC	Puducherry Industrial Promotion and Development of Industries Corporation Limited
PPCL	Puducherry Power Corporation Limited
PRTC	Puducherry Road Transport Corporation Limited
PSUs	Public Sector Undertakings
PTC	Puducherry Textile Corporation Limited
PTDC	Puducherry Tourism Development Corporation Limited
PWD	Public Works Department
RCM	Reverse Charge Mechanism
SBTML	Swadeshee-Bharathee Textile Mills Limited
SGST	State Goods and Services Tax
SoP	Standard Operating Procedure
SSCA	Subject Specific Compliance Audit
TCS	Tax collected at source
UTGST	Union Territory Goods and Services Tax