

PREFACE

1. This Report has been prepared for submission to the Lieutenant Governor under Section 49 of the Government of Union Territories Act, 1963.
2. The Report contains five chapters. Chapter-I deals with the findings of performance audits in the Education, Science, Technology and Environment and Local Administration departments while Chapter-II deals with the findings of transaction audit in the Co-operation, Electricity, Health and Family Welfare, Home, Local Administration, Public Works and Revenue and Disaster Management departments. Chapter-III includes comments based on district audit of Karaikal District.
3. The observations arising out of audit of revenue receipts of the Union Territory in the various tax departments are included in Chapter-IV of this Report.
4. The observations arising out of audit of commercial and trading activities of the Union Territory are included in Chapter-V of this report.
5. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2009-10 as well as those which had come to notice in earlier years but could not be included in previous Reports. Matters relating to the period subsequent to 2009-10 have also been included, wherever necessary.

OVERVIEW

This Audit Report includes five chapters comprising four performance audit reviews and 12 transaction audit paragraphs relating to the Union Territory Government and its Companies.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. Audit conclusions have been drawn and recommendations made, taking into consideration the views of the Government, wherever received.

A summary of the audit findings is given below :

1. Functioning of the Pondicherry Institute of Post-Matric Technical Education (PIPMATE) Society

A review of the functioning of the Pondicherry Institute of Post-Matric Technical Education (PIPMATE) Society, which runs four polytechnic colleges, revealed that inadequate provision of funds resulted in non-creation of infrastructure planned in polytechnic colleges. Government released grants-in-aid from Plan funds to meet the entire recurring expenditure of polytechnic colleges. Due to non-posting of teaching staff and non-establishment of a laboratory, the Fashion Technology course, started in 2007-08 in the Women's Polytechnic College, had to be discontinued in 2009-10. It was noticed that Mahe and Yanam Polytechnic Colleges had inadequate teaching staff and lacked basic infrastructure resulting in poor performance of students and dropouts. Monitoring of the functioning of the polytechnic colleges by PIPMATE was ineffective.

(Paragraph 1.1)

2. Implementation of Rules relating to management of waste by municipalities

Performance audit of existing practices for management of waste in four out of five municipalities of the Union Territory of Puducherry revealed non-adoption of a systematic procedure for segregation of solid waste and non-establishment of scientific land fills by the urban local bodies. Plan grants released for taking up projects on waste processing and scientific disposal were utilised for daily clearance of garbage. In Yanam Municipality, bio-medical waste was mixed with municipal solid waste and dumped in the yard. Dumping the solid waste including plastic waste in open dump sites and burning them posed a potential environmental and health hazard. A large number of plastic manufacturing units were functioning without obtaining authorisation from the Puducherry Pollution Control

Committee and there was no proper monitoring and enforcement of the Rules by the Committee.

(Paragraph 1.2)

3. Audit of Karaikal District

Karaikal district in the Union Territory of Puducherry was formed in May 2005. A review of the significant socio-economic developmental activities of the district revealed deficiencies in planning, financial management and implementation of schemes. Though the district was formed in 2005, the District Planning Committee and District Rural Development Agency had not been constituted/formed. Adequate infrastructure and manpower were not provided in rural health centres. Government schools lacked basic amenities. There was a 99/100 *per cent* shortfall in providing legally guaranteed 100 days' wage employment under the National Rural Employment Guarantee Act. The provisions of the Municipal Solid Waste Management Rules were not complied with by the Karaikal Municipality.

(Paragraph 3.1)

4. Transition from Sales Tax to Value Added Tax

A review of transition from Sales Tax to Value Added Tax in the Union Territory of Puducherry revealed that 20,038 assessments under the repealed Pondicherry General Sales Tax Act, 1967 were pending finalisation despite the availability of provisions in the Rules for deemed assessments. The Puducherry Value Added Tax Act (PVAT) did not provide for a fixed percentage of self assessments to be taken up for detailed scrutiny. The return in form 'K' prescribed under the PVAT Rules was found to be deficient to elicit all the required details from the assessees and for ensuring the correctness of the claim of input tax credit (ITC). Failure to re-fix turnover limits for claiming compounding rate of tax while introducing the Act in the middle of the year resulted in foregoing of revenue of ₹ 28.30 lakh during 2007-08. The department had not instituted a mechanism to assess the impact of VAT on the prices of commodities and to ensure that the benefit of reduction in tax rates had been passed on to the general public.

(Paragraph 4.9)

5. Audit of Transactions

Civil

Audit of financial transactions test-checked in various Government departments and their field offices revealed instances of avoidable expenditure, unfruitful expenditure, blocking of funds and loss of revenue amounting to ₹ 10.89 crore in the Co-operation Department (₹ 50 lakh), the Electricity Department (₹ 90.06 lakh), the Health and Family Welfare

Department (₹ 88.90 lakh), Home and Revenue and Disaster Management Departments (₹ 1.63 crore), the Local Administration Department (₹ 4.20 crore) and the Public Works Department (₹ 2.77 crore).

(Paragraphs 2.1 to 2.4)

Revenue receipts

Failure of the Electricity Department to take timely action to recover the dues from two defaulting high tension consumers resulted in non-collection of dues of ₹ 8.54 crore.

(Paragraph 4.11)

6. Commercial transactions

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. As on 31 March 2010, the Union Territory of Puducherry had 13 working PSUs, which employed 6,586 employees. These PSUs registered a turnover of ₹ 308.53 crore for 2009-10 as per the latest finalized accounts. This turnover was equal to 2.62 *per cent* of GSDP for the year 2008-09. The PSUs incurred an overall loss of ₹ 46.79 crore and had accumulated losses of ₹ 268.60 crore as per their latest finalized accounts.

Investment in PSUs

As on 31 March 2010, the investment (capital and long term loans) in all 13 PSUs was ₹ 699.02 crore. It grew by over 45 *per cent* from ₹ 480.46 crore in 2005-06 to ₹ 699.02 crore in 2009-10. Financing and manufacturing sectors accounted for 20.37 *per cent* and 55.30 *per cent* respectively of the total investment in 2009-10. The Government contributed ₹ 143.16 crore towards equity and grants during 2009-10.

Performance of PSUs

During the year, four PSUs earned a profit of ₹ 17.60 crore. The losses of the PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the latest Audit Reports of CAG showed that the State PSUs incurred losses to the tune of ₹ 8.21 crore which were controllable. The PSUs can discharge their role efficiently if they are financially prudent. There is a need for professionalism and accountability in the functioning of PSUs.

Arrears in accounts

The 13 UT PSUs had arrears of 20 accounts as of September 2010. The arrears need to be cleared by setting targets for the PSUs and outsourcing the work relating to preparation of accounts, if necessary.

(Paragraph 5.1)

Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC) and Puducherry Agro Service and Industries Corporation Limited (PASIC)

Deficiencies in the financial management of two PSUs, viz., the Pondicherry Industrial Promotion Development and Investment Corporation Limited and the Puducherry Agro Service and Industries Corporation Limited resulted in avoidable liability due to non-collection of service tax amounting to ₹ 0.77 crore with consequent liability towards interest and penalty amounting to ₹ 0.19 crore.

(Paragraph 5.2)

CHAPTER I

This chapter includes two performance audits viz., Functioning of the Pondicherry Institute of Post-Matric Technical Education (PIPMATE) Society and Implementation of Rules relating to Management of Waste by Municipalities.

EDUCATION DEPARTMENT

1.1 Functioning of the Pondicherry Institute of Post-Matric Technical Education (PIPMATE) Society

Highlights

The Pondicherry Institute of Post-Matric Technical Education (PIPMATE), a Society registered (1988) under the Societies' Registration Act, 1860, runs four polytechnic colleges in the Union Territory of Puducherry with the objective of imparting post-matric technical education in various engineering and non-engineering subjects. Performance audit of the functioning of PIPMATE revealed inadequate provision of funds by the Government, deficiencies in financial management, non-commencement of courses approved by the All India Council for Technical Education (AICTE), inadequate teaching staff and lack of basic infrastructure in two out of the four polytechnic colleges, weak internal controls and ineffective monitoring. Some of the important audit findings are as under:

- As against the Tenth Plan outlay of ₹ 49.75 crore for strengthening of technical education through PIPMATE, Government released only ₹ 19.92 crore during the Plan period and the inadequate provision of funds resulted in non-creation of infrastructure in polytechnic colleges.

(Paragraph 1.1.7.1)

- While the recurring expenditure of the Government-run polytechnic college was met out of Non-Plan and Plan funds for existing and new courses respectively, Government released grants-in-aid from Plan funds to meet the entire recurring expenditure of the polytechnic colleges under the control of PIPMATE.

(Paragraph 1.1.7.4)

- A fashion technology course, started in 2007-08 in the Women's Polytechnic College, had to be discontinued in 2009-10 due to non-posting of teaching staff and non-establishment of a laboratory.

(Paragraph 1.1.8)

- **The Mahe and Yanam Polytechnic Colleges had inadequate teaching staff and lacked basic infrastructure, resulting in poor performance by students and large dropouts in the colleges.**

(Paragraphs 1.1.9.1 and 1.1.10)

- **Monitoring of the functioning of the polytechnic colleges by PIPMATE was ineffective.**

(Paragraph 1.1.13)

1.1.1 Introduction

Polytechnic education constitutes an important segment of technical education and contributes significantly to economic development. Polytechnic colleges play a vital role in providing skilled manpower to manufacturing and service industries by offering three-year diploma courses. There are five polytechnic colleges in the Union Territory of Puducherry (UT). One college¹ is run by the Government and the remaining four colleges² are run by the Pondicherry Institute of Post-Matric Technical Education (PIPMATE), which is an autonomous Society, registered (October 1988) under the Societies Registration Act, 1860 and fully funded by the UT Government. Out of the four colleges, one college is exclusively for women and the total intake capacity in all the four polytechnic colleges was 1,130 as of March 2010.

The objectives of PIPMATE were:

- (i) to impart post-matric technical education and training in various engineering³ and non-engineering⁴ subjects and to make it sensitive and relevant to the changing industrial technological and social environment;
- (ii) to enlarge the coverage of programmes to new and emerging areas; and
- (iii) to increase access to the working personnel in industry and to the weaker sections of the society, especially in rural areas.

¹ Mothilal Nehru Government Polytechnic College, Puducherry

² (1) Women's Polytechnic College, Puducherry (2) Karaikal Polytechnic college, Karaikal (3) Dr. B.R. Ambedkar Polytechnic College, Yanam and (4) Indira Gandhi Polytechnic College, Mahe

³ Civil, Computer, Mechanical, Electrical and Electronics, Electronics and Communications, Instrumentation and Control engineering and Information Technology

⁴ Architectural Assistantship and Modern Office Practice

1.1.2 Organisational set up

The functioning of the Society is managed by a Governing Body. The Minister for Higher Education is the Chairman and the Principal Secretary to Government (Education) is the Vice-Chairman of the Governing Body of the Society. The Director of Higher and Technical Education (DHTE) is the Member Secretary. Polytechnic colleges functioning under the control of PIPMATE were established with due approval (1988, 1996 and 2000) of the All India Council for Technical Education (AICTE) and are affiliated to the Board of Technical Education, Chennai, which is responsible for framing of syllabi, conduct of examinations and award of diplomas to students. Norms such as built-up area for classrooms, laboratory and administration, student-teacher ratio, laboratory equipment and library book, etc., and standards stipulated by AICTE for polytechnic colleges are to be followed by PIPMATE. Accounts of the Society as well as four polytechnic colleges are audited by Chartered Accountants appointed by the Governing Body.

1.1.3 Audit objectives

The objectives of the performance audit were to assess whether:

- a proper planning system existed for achieving the objectives of the Society;
- the financial resources made available were managed efficiently;
- the required infrastructure and adequate manpower were provided in the polytechnics to provide quality technical education and
- an effective system existed for monitoring the functioning of the polytechnics.

1.1.4 Audit criteria

The following criteria were adopted to arrive at the audit conclusions:

- Five Year and Annual Plan documents
- The Societies Registration Act, 1860
- Memorandum of Association and Rules and Regulations of PIPMATE
- Norms prescribed by All India Council for Technical Education, New Delhi and the Board of Technical Education, Chennai.
- Policies, guidelines and instructions issued by the Government from time to time.

1.1.5 Scope of audit and audit methodology

The performance audit of functioning of PIPMATE covering the period 2005-10 was conducted under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 during April 2010 to July 2010 by test check of records at the Secretariat (Education), DHTE, PIPMATE and all four polytechnics run by the Society. The audit objectives and criteria were discussed with the Principal Secretary to Government (Education) during an entry conference held in March 2010. The findings were discussed with the Principal Secretary to Government in the exit conference held in September 2010 and replies were incorporated in the report at appropriate places.

1.1.6 Planning

1.1.6.1 Non-preparation of long term plan/vision document

One of the objectives of PIPMATE was to devise and conduct courses in engineering and technology that were relevant to the current needs of Society. It was noticed in audit that PIPMATE had not prepared any long-term or short-term plans for carrying out its mandatory activities including a comprehensive programme for faculty development, quality improvement and infrastructure development. PIPMATE admitted (November 2010) that no long-term plan or vision document had been prepared by them and that separate assessment of current and future needs of the Society in the field of technical education had not been done.

1.1.6.2 Diversion of Scheduled Caste Sub-Plan funds

A Scheduled Caste Sub-Plan (SCSP) is prepared as an integral part of Five Year/Annual Plans showing sector-wise and scheme-wise outlays earmarked for SCs. The flow of funds to SCSP should be equivalent to the percentage of the SC population to the total population of the UT. In the Annual Plan outlay of the UT, 16.19 *per cent* of total allocation is earmarked for development of SCs.

As per the instructions of the UT Government, the SCSP funds are not to be diverted for any other purposes. It was observed that DHTE released (September 2007 and March 2008) grants-in-aid of ₹ 1.50 crore from SCSP for meeting administrative expenditure of PIPMATE, violating Government instructions.

When this diversion of SCSP funds was pointed out, the DHTE stated (August 2010) that the amount had been diverted to PIPMATE due to paucity of funds. During the exit conference, the Principal Secretary instructed (September 2010) DHTE to avoid such diversions in future. However, the fact remained that the expenditure was inadmissible.

1.1.7 Financial Management

1.1.7.1 Financial performance during the Tenth Plan period

As per the Tenth Five Year Plan (2002-07) the approved outlay for strengthening of technical education through PIPMATE for the Plan period was ₹ 49.75 crore. The Government was to provide financial assistance to PIPMATE for creation of infrastructure, introduction of new courses, establishment of laboratories, purchase of equipment and library books, recurring costs etc. The Government, however, released only ₹ 19.92 crore during the plan period as against the approved outlay. Reasons for short provision of funds during the Tenth Plan period were not furnished by the department. In the Eleventh Five Year Plan period, out of the total allocation of ₹ 30 crore earmarked for PIPMATE, ₹ 22.83 crore was released to PIPMATE during 2007 to 2010.

1.1.7.2 Release and utilisation of grants-in-aid

Government released grants-in-aid through DHTE for meeting the recurring and non-recurring expenditure of PIPMATE. The details of grants-in-aid received, the Society's own receipts and the expenditure incurred during 2005-10 are given in **Table-1**:

Table-1: - Details of grants released and utilised

(₹ in crore)

Year	Opening balance	Grants from UT Govt.	Grant from GOI	Own Receipts *	Total (3+4+5)	Utilised	Closing balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2005-06	6.95	5.00	Nil	0.06	5.06	4.16	7.85
2006-07	7.85	Nil	0.11	0.36	0.47	\$6.71	1.61
2007-08	1.61	4.85 [@]	0.16	0.38	5.39	\$5.35	1.65
2008-09	1.65	7.65	0.08	0.10	7.83	\$6.80	2.68
2009-10	2.68	10.55	0.10	0.10	10.75	10.43	3.00
Total		28.05	0.45	1.00		33.45	

Source: Figures furnished by PIPMATE

* Own receipts included fees, fines and interest receipts from bank deposits; [@] as per Detailed Appropriation Accounts, it was ₹ 4.83 crore;

\$ Figures as per detailed expenditure furnished by PIPMATE for the years 2006-07, 2007-08 and 2008-09 were ₹ 6.60 crore, ₹ 5.28 crore and ₹ 6.73 crore respectively

1.1.7.3 Non-release of grant

Rupees 5.05 crore provided in the budget for 2006-07 for release to PIPMATE was withdrawn by the Government by re-appropriation based on a modification proposal of DHTE, without assigning any reasons, for providing funds for the scheme 'Financial assistance to poor students

undergoing professional courses'. Hence, no grant-in-aid was released to PIPMATE during that year.

Out of grants-in-aid of ₹ 21.71 crore released to PIPMATE during 2005-06, 2008-09 and 2009-10, ₹ 11.76 crore (54 *per cent*) was released by Government in the closing months (February and March) of the year. During the exit conference, the Principal Secretary instructed (September 2010) the DHTE to avoid recurrence of such late releases in future.

1.1.7.4 Release of Plan funds for recurring expenditure

Plan funds of ₹ 27.76 crore were released by Government to meet recurring expenditure of PIPMATE

For meeting recurring expenditure of colleges for the existing courses, funds should be provided under Non-Plan head of account and for the new courses started during the Plan period, under Plan head of account. While the Government provided funds in the budget for the recurring expenditure of the Government-run polytechnic under correct heads of account, entire grants-in-aid were released to PIPMATE from Plan funds which were meant for developmental activities. PIPMATE and the polytechnics spent ₹ 27.76 crore on staff costs and administrative expenses out of the total Plan grants of ₹ 33.45 crore released by Government during 2005-10.

1.1.7.5 Non-investment of surplus funds

As per Rule 10(2) of the Rules and Regulations of PIPMATE, all moneys credited to the Society's fund could be deposited in banks or invested as per the directions of the Governing Body of the Society. Government released annual recurring and non-recurring grants-in-aid to the Society in one to three instalments. The Society required about ₹ 35 lakh to ₹ 87 lakh monthly during 2005-10 for its functioning. The funds kept in excess of three months' requirements could have been invested in short-term deposits (46 days, 91 days and 180 days) to earn interest. PIPMATE opened a current account in a nationalised bank for deposit of grants-in-aid for eventual distribution to the polytechnic colleges depending on their requirements. The current account had minimum monthly balances ranging from ₹ 3.71 crore to ₹ 1.23 crore during April to December 2005, from ₹ 3.62 crore to ₹ 2.60 crore during April 2006 to September 2006 and from ₹ 3.66 crore to ₹ 1.22 crore during November 2009 to March 2010. Failure to invest the surplus funds in short-term deposits resulted in loss of interest of ₹ 15 lakh. PIPMATE stated (October 2010) that the point would be noted for future guidance.

1.1.7.6 Higher per student cost

Details of the number of students on roll and recurring expenditure in respect of the Government-run polytechnic and the polytechnics of PIPMATE are given in **Table 2**.

Table:2: Details of per student cost in Government and PIPMATE colleges

Year	Government run polytechnic			Polytechnics of PIPMATE			Excess cost per student (percentage)
	Number of students on roll	Recurring expenditure (₹ in lakh)	Per student cost (₹)	Number of students on roll	Recurring expenditure (₹ in lakh)	Per student cost (₹)	
2007-08	974	188.10	19,312	1,685	522.32	30,998	11,686 (60)
2008-09	982	232.40	23,666	1,718	619.90	36,083	12,417 (52)
2009-10	995	242.59	24,381	2,515	792.07	32,604	8,223 (34)

Source: Figures furnished by PIPMATE and Detailed Appropriation Accounts

A comparison of the per student cost in respect of polytechnic colleges of PIPMATE with that of the Government-run polytechnic revealed that the per student cost in PIPMATE colleges was higher by 34 to 60 per cent. One of the reasons for the higher per student cost in PIPMATE colleges was inclusion of the administrative expenditure of PIPMATE in the total recurring expenditure.

1.1.8 Academic activities

The performance of the Society with reference to student enrolment and academic performance is discussed below:

1.1.8.1 Admissions

Admission of students to the diploma courses in the polytechnic colleges of PIPMATE is done following Government orders on reservation of seats for Scheduled Castes, Most Backward Classes and Other Backward Classes, the physically handicapped, sportspersons and wards of ex-servicemen and freedom fighters.

The year-wise details of students admitted against the intake capacity are given in Table 3.

Table:3 : Details of students admitted

(in numbers)

Polytechnics	2005-06		2006-07		2007-08		2008-09		2009-10	
	I	A	I	A	I	A	I	A	I	A
Women's Polytechnic, Puducherry	160	160	190	188	220	219	220	209	190	190
Karaikal Polytechnic	240	240	320	320	410	410	410	410	*820	820
Yanam Polytechnic	60	59	60	51	60	44	60	60	60	56
Mahe Polytechnic	60	60	60	60	60	60	60	60	60	60
Total	520	519	630	619	750	733	750	749	1,130	1,126

I: Intake capacity A: students admitted

* Two shift system is followed from 2009-10 and hence the intake capacity is more

Source: Figures furnished by PIPMATE and prospectus

Even though there was no considerable shortfall in admission of students against the intake capacity, shortfall was noticed in the admission of the students admitted in the lateral entry quota⁵ in the Women's Polytechnic, Puducherry and Yanam Polytechnic as given in **Table 4**.

Table : 4: Details of students admitted under lateral entry quota

Polytechnics	2005-06		2006-07		2007-08		2008-09		2009-10	
	S	A	S	A	S	A	S	A	S	A
Women's Polytechnic, Puducherry	32	17	32	13	38	28	44	31	44	13
Karaikal Polytechnic	48	48	64	62	82	82	82	82	82	82
Yanam Polytechnic	12	Nil	12	Nil	12	Nil	12	Nil	12	Nil
Mahe Polytechnic	12	12	12	12	12	12	12	12	12	12

S: Seats reserved for lateral entry A: students admitted
Source: Figures furnished by PIPMATE and prospectus

The Principal, Women's Polytechnic, Puducherry stated (August 2010) that admission in the polytechnics normally concluded much ahead of the admission schedule of other colleges and that the students admitted through lateral entry subsequently got admitted in other institutions and hence, there was a shortfall. However, the Principal did not produce any document in support of his reply.

Three *per cent* of the total seats available in the colleges are reserved for physically handicapped students. The details of physically handicapped students admitted in Women's Polytechnic, Puducherry and Karaikal Polytechnic colleges are given in **Table 5**.

Table: 5: Details of physically handicapped students

Polytechnics	2005-06		2006-07		2007-08		2008-09		2009-10	
	S	A	S	A	S	A	S	A	S	A
Women's Polytechnic, Puducherry	30	Nil	31	1	31	1	31	3	30	Nil
Karaikal Polytechnic	7	3	10	4	12	2	12	3	25	2

S: Seats reserved for physically handicapped A: students admitted
Source: Figures furnished by Principal of respective colleges

When the shortfall in admission of physically handicapped students was pointed out, the Principal, Women's Polytechnic, stated (October 2010) that sufficient applications were not received under the physically handicapped category and vacancies were filled up by the students from the general category. The details of number of physically handicapped students admitted in Yanam and Mahe polytechnics were not furnished to audit.

⁵ Seats reserved for students passed in higher secondary course in vocational stream to join the diploma course in the second year

1.1.8.2 New diploma courses

As per AICTE norms, the recommendations of the State Level Committee are required for approval for starting new courses/extension of existing courses by AICTE.

- *Discontinuance of new courses*

A fashion technology course started in 2007-08 was discontinued from 2009-10 due to insufficient infrastructure and faculty

Based on the recommendations of the State Level Committee, a new course of Fashion Technology was introduced (July 2007) in the Women's Polytechnic college, Puducherry with the approval of AICTE. Even though AICTE stipulated provision of adequate infrastructure, course affiliation and appointment of required faculty before admitting students, PIPMATE admitted students (30 in 2007-08 and 26 in 2008-09) for the course even before providing adequate laboratory facilities and recruitment of faculty. The course, started in the year 2007-08, was discontinued by PIPMATE from the year 2009-10, as sufficient infrastructure and faculty as per AICTE norms and the Board of Technical Education's curriculum could not be provided by the Society due to severe financial constraints. However, PIPMATE had not furnished to Audit the details of funds sought for from Government for the course and non-provision of funds by Government for the purpose. Further, it was decided to run the course for the earlier two batches up to the final year by hiring faculty. Thus, commencement of the course without proper planning and provision of required infrastructure and recruitment of faculty resulted in discontinuance of the course within two years from the date of introduction.

- *Non-commencement of approved courses*

AICTE accorded (October 2000) approval for starting four diploma courses⁶ in the polytechnic college at Mahe for the academic year 2000-01 and permitted admission of students for one academic session only subject to the condition that the college was to be shifted to a permanent location within one year. The polytechnic college, however, started (2000-01) functioning with two diploma courses (Instrumentation and Control Engineering and Computer Engineering) in a portion of the building of the Government Industrial Training Institute, Mahe and in a private building taken on rental basis. Even though adequate infrastructure and manpower were not provided to the polytechnic, as discussed in paragraphs 1.1.9.1 and 1.1.10, AICTE granted (June 2005 and May 2008) approval for extension of the courses upto 2007-08 and 2012-13.

⁶ (1) Instrumentation and Control Engineering (2) Computer Engineering (3) Electrical and Electronics Engineering and (4) Mechanical Engineering

1.1.8.3 Academic performance and dropouts

Points relating to academic performance and dropouts are discussed below:

Details of the number of students who appeared for the final year examinations and the number of students who passed out from the four polytechnic colleges are given in **Table 6**.

Table 6: Details of academic performance by students

Academic year	No of students appeared for final examinations				No of students passed final examinations				Pass Percentage			
	WPT	KPT	MPT	YPT	WPT	KPT	MPT	YPT	WPT	KPT	MPT	YPT
2005-06	154	229	64	48	136	173	37	8	88	76	58	17
2006-07	134	231	65	35	123	189	50	10	92	82	77	29
2007-08	124	308	53	43	109	194	33	16	88	63	62	37
2008-09	154	402	47	47	134	301	24	19	87	75	51	40

WPT – Women’s Polytechnic, Puducherry ; KPT – Karaikal Polytechnic ;

MPT – Mahe Polytechnic ; YPT – Yanam Polytechnic

Source: Figures furnished by Principals of respective colleges

Academic performance of students of Karaikal, Mahe and Yanam polytechnic was unsatisfactory

It was noticed in audit that the performance of the students of Women’s Polytechnic, Puducherry, who passed in final year examinations during 2005-09 was more than 80 *per cent*. However, as shown in **Table 6**, the pass percentage in respect of Karaikal, Mahe and Yanam polytechnics ranged between 63 and 82 *per cent*, 51 and 77 *per cent* and 17 and 40 *per cent* respectively.

The unsatisfactory performance in respect of Mahe and Yanam polytechnics could be attributed to non-provision of adequate infrastructure and faculty as discussed in paragraphs 1.1.9.1 and 1.1.10.

In all the four polytechnic colleges under PIPMATE, the total annual intake was 1,130. The average annual dropout rate in the Women’s Polytechnic, Puducherry, Karaikal Polytechnic, Mahe Polytechnic and Yanam Polytechnic colleges during 2005-10 was 18, 74, 18 and 8 respectively. PIPMATE attributed the dropouts to students’ personal reasons for discontinuance of courses in the middle. However, PIPMATE did not produce any document in support of their reply.

1.1.8.4 Non-conduct of part-time courses for working personnel

One of the objectives of PIPMATE was to increase access to the working personnel in industry and to the weaker sections of the society especially in rural areas. When the details of courses conducted for the working personnel and weaker sections was called for, PIPMATE stated (October 2010) that no part time courses/programmes were conducted for working personnel/weaker sections of the society by the polytechnic colleges under the control of PIPMATE Society. As such, one of the main objectives of

the Society envisaged in the Memorandum of Association was not achieved.

1.1.9 Infrastructure

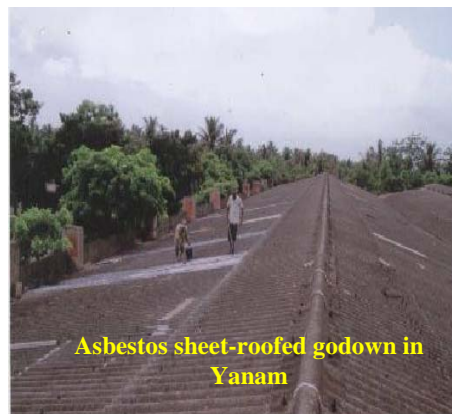
Provision of infrastructure such as classrooms, administrative buildings, workshops, laboratories and equipment plays a vital role in improving the quality of education imparted in technical educational institutions.

During the Tenth Five Year Plan period construction of buildings for Yanam and Karaikal polytechnic colleges at a cost of ₹ six crore and completion of construction of building for Mahe polytechnic at a cost of ₹ nine crore were envisaged. It was observed that while construction of buildings for Mahe polytechnic was taken up during the Tenth Five Year Plan period and was in progress (October 2010), the buildings for Yanam and Karaikal polytechnic colleges were not taken up for execution due to non-provision of adequate funds by Government. Audit noticed the following deficiencies in construction of buildings and providing hostel facilities.

1.1.9.1 Buildings

Yanam Polytechnic College, though started in 1996, continued to conduct classes in an asbestos sheet-roofed godown

(a) Yanam Polytechnic College was started in 1996 in two buildings and in an asbestos sheet-roofed godown, taken over (1996) by the Government from a sick oil factory and continued to function in the same godown till date (November 2010). The office and laboratories were being run in the two buildings and the godown was being used for conducting classes. Two diploma courses with intake of



30 students in each course were offered by the polytechnic from the year 1996-97. The Principal of the college reported as early as in 1999 to PIPMATE that the buildings were unfit for classrooms, the roof of the godown was leaking and during rains, the classrooms were flooded. The Principal forwarded (August 1999) a proposal to Government through PIPMATE for construction of four new blocks for the polytechnic college. When the details of action taken on the proposal were called for, PIPMATE stated that details regarding the subject were not readily available with them. Though ₹ three crore was provided for construction of buildings for Yanam Polytechnic in the Tenth Five Year Plan, no construction activities were taken up during the Plan period. Only temporary repair to the roof of the godown was carried out (October 2010) at a cost of ₹ 0.80 lakh.

Construction of a building for Mahe Polytechnic College, though started in September 2006, remained incomplete as of May 2010

(b) Mahe Polytechnic College was started during 2000-01 with two diploma courses viz., Instrumentation and Control Engineering and Computer Engineering in a portion of the building of the Government Industrial Training Institute, Mahe and in a private building taken on rental basis. PIPMATE acquired (2002) 4.16 acres of land for the Mahe polytechnic college at Chalakara for ₹ 67.30 lakh and accorded (January 2005) administrative approval and expenditure sanction for ₹ 6.82 crore for construction of three blocks and a workshop block. The work was entrusted (January 2005) to the Public Works Department (PWD). The work, excluding the workshop block, was awarded only in September 2006 to a contractor for a contract value of ₹ 5.74 crore for completion of work in 18 months. The work, scheduled to be completed by April 2008, was in progress (April 2010). The reasons for delay in award of work by PWD and exclusion of workshop block from the contract were not furnished to Audit. There was abnormal delay in execution and the contractor stopped (May 2008) the work citing non-payment of his bills during 2007-08 and resumed (July 2009) it only after one year, on payment of bills. PIPMATE stated that due to paucity of funds, it could not deposit the funds required by PWD during 2007-08. Further, the contractor requested the PWD to make payments based on the rates in the 2009-10 Schedule of Rates for completing the work. The central and north blocks were structurally completed and flooring, fixing of doors and windows and electrification works were pending. The construction of the south block was in progress (October 2010) as shown in the photos below:

Incomplete building (south block) of Mahe Polytechnic



The present contract did not include construction of the workshop block and even if the main blocks were completed by the end of the year 2010-11 as stated by PIPMATE, the polytechnic would function without any workshop facilities.

PIPMATE had so far (September 2010) released ₹ 4.07 crore to PWD. Even though AICTE extended the approval for starting four courses twice (2005 and 2008) as mentioned in the paragraph 1.1.8.2, two out of four courses could not be started even during 2009-10 due to non-availability of a permanent building and adequate space in the rented building.

Thus, the failure of the Society to provide adequate infrastructure to the Mahe polytechnic resulted in non-commencement of electrical and electronics and mechanical engineering courses in the polytechnic even after 10 years leading to denial of technical education to students of the region in these fields and also avoidable recurring monthly expenditure of ₹ 0.58 lakh towards rent paid to the ITI and the private building which were used for conducting the two courses. Non-provision of adequate infrastructure in the above mentioned two colleges could have also contributed to the poor performance by students and dropouts as mentioned in paragraph 1.1.8.3.

1.1.9.2 Hostel facilities

In the polytechnic colleges at Puducherry and Karaikal, seats are reserved for students belonging to other outlying regions of UT. It was noticed in audit that even though the two colleges were established in 1988, no hostel facilities were provided. Moreover, there were no hostel facilities in Mahe and Yanam polytechnics also. These two colleges offered only two courses each⁷ from 1996-97 and 2000-01 respectively. They did not offer courses in core engineering subjects like civil, mechanical and electrical engineering. Test check revealed shortfalls in admission of students from Mahe and Yanam regions in Karaikal polytechnic. It was also noticed that no proposal for construction of hostels was included in the Tenth and Eleventh Five Year Plans. When this was pointed out, PIPMATE stated (October 2010) that a proposal for construction of a women's hostel had been sent to the Ministry of Human Resource Development, New Delhi for getting financial assistance.

1.1.10 Teaching staff

(a) AICTE had prescribed a specific number⁸ of teaching staff required for each course. Audit noticed that even though the required posts were sanctioned as per AICTE norms, adequate teaching staff were not appointed and vacancies in teaching staff of all colleges under the Society as of October 2010 were as given in **Table-7**:

Vacant posts under teaching category of staff were not filled up

⁷ Mahe Polytechnic : Instrumentation and Control Engineering and Computer Engineering; Yanam Polytechnic: Computer Engineering and Electronics and Communication Engineering

⁸ One post each of HOD and Senior Lecturer and seven posts of Lecturers

Table -7: Details of overall vacancies

Sl. No.	Name of the post	Number of posts sanctioned	Number of posts filled up	Vacancy in numbers
1.	Principal	4	1	3
2.	Head of Department (HOD)	15	5	10
3.	Senior Lecturer and Lecturer	134	117	17

Source: Figures furnished by PIPMATE

The duties of Principal were discharged by the senior-most faculty members in addition to their normal routine duties due to non-availability of eligible candidates. PIPMATE stated (October 2010) that at present, HODs had become eligible for promotion to the posts of Principal and that a departmental promotion committee would be convened for filling up the posts of Principal. However, there were vacancies in the HOD (10) and lecturer (17) posts also.

(b) The year-wise vacancy position in teaching staff in Mahe and Yanam polytechnic colleges is given in **Table – 8:**

Table – 8: Details of vacant posts in Mahe and Yanam polytechnics

Name of Post	Sanctioned	Vacant as on 31.3.2006	Vacant as on 31.3.2007	Vacant as on 31.3.2008	Vacant as on 31.3.2009	Vacant as on 31.3.2010
Mahe Polytechnic						
Principal	1	1	1	1	1	1
Head of Department	2	2	2	2	2	2
Senior Lecturer	2	2	2	1	1	1
Lecturer	14	Nil	3	3	8	9
Laboratory Assistant	9	8	4	3	3	8
Total	28	13	12	10	15	21
Yanam Polytechnic						
Principal	1	1	1	1	1	1
Head of Department	2*	Nil	Nil	2	2	2
Senior Lecturer	2	2	1	Nil	1	1
Lecturer	15	6	7	6	7	9
Laboratory Assistant	2	2	1	1	1	1
Total	22	13	13	12	13	15

* Sanctioned during 2007-08

Source: Figures furnished by Principals of respective colleges

It may be seen from the above table that vacancies in teaching staff increased from 13 to 21 and 13 to 15 during the period from March 2006 to March 2010 in respect of Mahe and Yanam polytechnics respectively. As against the total strength of 28 and 22 in Mahe and Yanam polytechnics respectively, 21 and 15 posts were vacant as of March 2010.

PIPMATE had not filled up the vacancies through direct recruitment and the courses were run by the polytechnics by outsourcing faculty and arranging guest lecturers. PIPMATE stated (October 2010) that out of 18 vacant posts of lecturer, 14 were filled up during 2010-11.

1.1.11 Accounts and Audit

Audit noticed several lacunae in the maintenance of accounts by PIPMATE and the polytechnic colleges as discussed below:

1.1.11.1 The annual accounts were prepared separately for PIPMATE and each of the four polytechnic colleges under its control. As PIPMATE is a registered Society and the four polytechnic colleges are only units of the Society, the annual accounts of PIPMATE as a whole should have been prepared.

1.1.11.2 Autonomous bodies under the Government of India are required to compile their accounts from the accounting year 2001-02 in a uniform format of accounts as prescribed by GOI, Ministry of Finance. The GOI prescribed the double entry system for accounting and recognition of financial transactions on accrual basis. All autonomous bodies in the UT followed the financial, service and other rules of GOI. It was noticed that PIPMATE and the four colleges, however, had not switched over to the accrual-based accounting system as prescribed by GOI. Like Government departments, they maintained their accounts on cash basis.

1.1.11.3 The audit reports of the Chartered Accountants on the annual accounts of PIPMATE and the four polytechnic colleges revealed the following discrepancies:

- General Provident Fund (GPF) and Contributory Provident Fund (CPF) accounts in respect of PIPMATE employees were not audited by the Chartered Accountants.
- Income and expenditure accounts and balance sheets were not prepared from 2005-06 onwards in respect of Yanam Polytechnic.
- Even though the accounts were maintained on cash basis and worn-out assets were replaced out of grants-in-aid from Government, the fixed assets were not shown in the balance sheet at their original cost of acquisition. Depreciation on the written down value method was provided in the income and expenditure account.

PIPMATE replied (October 2010) that GPF/CPF accounts would be got audited by Chartered Accountants.

1.1.11.4 Rule 18 of the rules and regulations of PIPMATE stipulates submission of a report, within six months after the close of every financial year, on the working of the polytechnics to UT Government by PIPMATE together with an audited statement of accounts showing the income and expenditure of the previous year. Delay in completion of audited accounts was noticed in respect of accounts for the years 2005-06 and 2006-07 as given in **Table - 9**:

Table 9 : Details of delayed submission of accounts

Year	Due date for Completion of audited accounts	Date of completion of audited accounts	Date of submission of audited accounts to Government
2005-06	September 2006	January 2007	February 2007
2006-07	September 2007	February 2008	March 2008

Source: Data furnished by PIPMATE

1.1.11.5 Employees of PIPMATE recruited upto 31 December 2000 were continued to be governed under the General Provident Fund scheme and employees recruited subsequently were brought under the CPF scheme. Fifty employees were covered under CPF as of March 2009. The employer's contribution payable by the Society upto March 2009 along with interest payable, worked out to ₹ 31.52 lakh. The amount was not transferred to the Bank account maintained for the CPF. Thus, the accounts of PIPMATE did not reflect a true and fair view of the financial position as the liability towards CPF contribution was not included in the annual accounts. PIPMATE had also not sought for funds from the Government for discharging this liability. During the exit conference, the Principal Secretary instructed (November 2010) the DHTE to maintain the accounts properly.

1.1.12 Other points

1.1.12.1 Avoidable payments

Non-reduction of contracted demand resulted in avoidable excess expenditure of ₹ 18.18 lakh

The contracted demands (CD) for High Tension (HT) power supplies provided to the Women's Polytechnic, Puducherry and Karaikal Polytechnic were 500 Kilo Volt Ampere (KVA) and 200 KVA respectively.

In respect of the HT connection provided to the Women's Polytechnic, the actual monthly recorded demand ranged between 37 and 173 KVA only during the period from June 2001 to September 2009 as against the CD of 500 KVA. PIPMATE approached the Electricity Department for reduction of CD from 500 KVA to 150 KVA in July 2005 only. Even though the Electricity Department requested PIPMATE to execute a fresh agreement

and furnish a guarantee letter as envisaged in the terms and conditions of power supply, PIPMATE had not complied (November 2009) with the requirements for the reduction of CD to 150 KVA.

In respect of the HT connection at Karaikal Polytechnic, the monthly recorded maximum demand had never exceeded 100 KVA as against CD of 200 KVA from the month of installation (January 2002). Hence, the demand could have been reduced to 100 KVA by PIPMATE. This was not done as of October 2010.

PIPIMATE's failure to initiate timely action to reduce the CD in accordance with the consumption and requirements resulted in avoidable payment of demand charges of ₹ 18.18 lakh to Electricity Department.

1.1.12.2 Non-maintenance of Asset registers

Test check of records revealed that asset registers in respect of immovable properties were not maintained by PIPMATE as well as polytechnic colleges. PIPMATE replied that the registers would be maintained in future. During the exit conference, the Principal Secretary instructed (November 2010) the DHTE to ensure maintenance of asset registers.

1.1.13 Monitoring and review of functioning of polytechnic colleges

1.1.13.1 The Rules and Regulations of PIPMATE stipulate conduct of three Governing Body (GB) meetings every year. It was, however, noticed that only seven meetings were held as against 15 during 2005-10. All decisions were taken by the Member Secretary with the approval of the Chairman without discussion among the members of GB and *post facto* approval was obtained from the members of GB by circulation. During the exit conference, the Principal Secretary, who was also the Vice Chairperson of the GB, instructed (November 2010) the Member Secretary to conduct GB meetings as stipulated in the rules and regulations of PIPMATE.

1.1.13.2 The Finance Committee, Purchase Committee, Academic Committee and Staff Selection Committee of the Society, which were to meet as and when required, to advise the GB in the activities of the Society, had not met at all during the five-year period. The Building Committee met only once during the period. Had the committees met periodically, the performance of the Society in financial management, provision of infrastructure, recruitment of staff and academic performance could have been monitored effectively.

1.1.13.3 As per Rule 208 (a) (v) of the General Financial Rules, 2005 (GFRs), a system of external or peer review of autonomous organisations

every three or five years depending upon the size and nature of activities should be put in place. However, no such review was conducted in PIPMATE even though it was established long back.

1.1.13.4 Rule 212 (1) of the GFRs stipulates that while releasing recurring grants, the department has to look into the reports submitted by the internal audit wing, the inspection reports of the Indian Audit and Accounts Department and the performance reports of the organization. The accounts of PIPMATE were not subjected to internal audit by the Education Department and the GFR provisions were not followed while releasing grants to PIPMATE. The department stated (August 2010) that the above provisions would be followed in future.

1.1.14 Conclusion

Non-implementation of projects proposed in the Tenth and Eleventh Five Year Plans hampered infrastructure development leading to non-availability of critical infrastructure in Mahe and Yanam polytechnic colleges. Due to lack of infrastructure and manpower shortage, two approved diploma courses in Mahe polytechnics were not started. Poor academic performance by students in the final year examinations coupled with increase in the number of dropouts in Karaikal, Mahe and Yanam polytechnic colleges was a matter of concern. The polytechnic colleges lacked infrastructure facilities such as adequate classrooms, hostels, etc due to non-provision of adequate funds by Government. Ineffective monitoring and weak internal controls also contributed to the less than satisfactory performance of the Society and the polytechnic colleges.

Recommendations

- Adequate funds should be provided in the budget for all schemes/components included in the Annual Plans.
- Grants-in-aid to meet recurring expenditure of the Society should be released under the Non-Plan head.
- Necessary infrastructure, including completion of the ongoing building works, should be created for providing quality technical education.
- Vacant posts under the teaching staff category should be filled up.
- Monitoring and internal control should be strengthened.

SCIENCE, TECHNOLOGY AND ENVIRONMENT AND LOCAL ADMINISTRATION DEPARTMENTS

1.2 Implementation of Rules relating to management of waste by municipalities

Highlights

With a view to regulate the management and handling of wastes, Government of India notified (1998/1999/2000) the Bio-medical Waste (Management and Handling) Rules, the Recycled Plastics Manufacture and Usage Rules and the Municipal Solid Wastes (Management and Handling) Rules. Performance Audit of existing practices for management of wastes in the municipal areas of the Union Territory of Puducherry revealed non-adoption of systematic procedure for segregation of solid waste, non-establishment of scientific landfills by the urban local bodies, dumping and burning of solid waste in open dumpsites, violation of Bio-medical Waste Management Rules by health care establishments. The major observations are detailed below:

- **Plan grants released by Government to the municipalities for taking up projects or work connected with waste processing and scientific disposal of municipal solid waste were utilised for daily clearance of garbage in the municipal areas.**

(Paragraph 1.2.6)

- **Incorrect adoption of road length for assessing the requirement of private conservancy workers resulted in avoidable expenditure of ₹ 75.34 lakh.**

(Paragraph 1.2.6.3)

- **The per capita waste reported to have been generated and transported in Puducherry, Oulgaret and Yanam Municipalities was higher than that generated in metropolitan cities.**

(Paragraph 1.2.7.1)

- **Waste processing and disposal facilities were not set up by the test checked municipalities**

(Paragraph 1.2.7.4)

- **Solid waste including plastic waste dumped in dumpsites of two municipalities was being burnt continuously posing environmental and health hazards.**

(Paragraph 1.2.7.5)

- **Out of 211 health care establishments in the Union Territory, 200 including 76 Government health care establishments were functioning without obtaining valid authorisation from Puducherry Pollution Control Committee.**

(Paragraph 1.2.8.2)

- **In Yanam Municipality, bio-medical waste was mixed with municipal solid waste and dumped in the dumpsite**

(Paragraph 1.2.8.4)

- **A large number of plastic manufacturing units were functioning in the UT without obtaining required authorization from Puducherry Pollution Control Committee.**

(Paragraph 1.2.9)

- **Monitoring and enforcement of Rules by the Puducherry Pollution Control Committee was deficient.**

(Paragraph 1.2.10)

1.2.1 Introduction

Municipal solid waste (MSW) comprises residential and commercial wastes generated in a municipal area in either solid or semi-solid form excluding industrial hazardous waste but including treated bio-medical waste. Bio-medical waste (BMW) means any waste which is generated in health care establishments (HCE) during diagnosis, treatment or immunisation of human beings or animals. Waste Management means the collection, transportation, recovery and disposal of waste including the supervision of such operations and after-care of disposal sites.

The Government of India (GOI), in exercise of the powers conferred under the Environment (Protection) Act, 1986, framed rules⁹ to regulate the management and handling of municipal solid waste and bio-medical waste to protect and improve the environment and to prevent health hazards to human beings and other living creatures.

The Municipal Solid Waste (Management and Handling) Rules, 2000 require the Secretary in-charge of the Department of Urban Development to have overall responsibility for the enforcement of the provisions of these rules.

⁹ (i) The Municipal Solid Wastes (Management and Handling) Rules, 2000
(ii) The Biomedical Wastes (Management and Handling) Rules, 1998
(iii) Plastic Manufacture, Sale and Usage Rules, 1999

1.2.2 Organisational set up

The Puducherry Pollution Control Committee (PPCC) was constituted in April 1992. Special Secretary to Government, (Science, Technology and Environment) is the Chairman and the Director, Department of Science Technology and Environment (DSTE) is the Member Secretary of PPCC. The PPCC is responsible for enforcement of various rules and regulations relating to management of wastes. Municipalities are the implementing agencies of solid waste management. There are five municipalities in the Union Territory, each headed by a Commissioner and they are under the administrative control of the Development Commissioner/Principal Secretary to Government (Local Administration). Director, Local Administration is the head of the Department and is assisted by Deputy Director, Municipal Administration, a Superintending Engineer and Municipal Commissioners.

1.2.3 Audit objectives

The main objectives of the performance audit were to assess whether

- the municipalities and health care establishments comply with the rules governing management of municipal solid waste and bio-medical waste;
- the monitoring and enforcement of Rules by the PPCC was efficient; and
- Financial management of funds available for solid waste management was efficient and effective.

1.2.4 Audit criteria

The criteria adopted to arrive at audit conclusions were:

- Municipal Solid Wastes (Management and Handling) Rules, 2000
- Bio-medical Waste (Management and Handling) Rules 1998 (amended in 2003)
- Recycled Plastics Manufacture and Usage Rules, 1999 (amended in 2003 as Plastics Manufacture, Sale and Usage Rules, 1999)
- Recommendations of Committee on Solid Waste Management constituted by Hon'ble Supreme Court of India
- The Pondicherry Municipalities Act, 1973

- Orders/instructions issued by GOI, UT Government and the PPCC.
- General Financial Rules.

1.2.5 Scope and Methodology of audit

The performance audit relating to implementation of the rules on management of municipal solid waste, bio-medical waste and plastic waste in three¹⁰ out of four regions of the UT for the period 2005-10 was conducted during March-June 2010. Audit test-checked the records of Science, Technology and Environment, Local Administration, Health and Family Welfare, Town and Country Planning, Industries and Commerce departments, the Puducherry Pollution Control Committee, four¹¹ out of five municipalities and 19 HCEs in the UT selected based on stratified random sampling method. The list of test checked hospitals is given in **Appendix-1.1**. Audit objectives and criteria were discussed with the Development Commissioner, who is in charge of Local Administration Department (LAD) and the Special Secretary to Government (Environment) during entry conferences held separately in March 2010. Joint Inspection of waste disposal sites and selected Government/private HCEs was conducted by audit along with officials of the PPCC and municipalities. Audit findings were discussed with the Special Secretary (Science, Technology and Environment) and the Development Commissioner, who is also the Principal Secretary (Local Administration) during exit conferences held in August and September 2010 respectively. The replies furnished by the Secretaries to the audit observations during the exit conference and their instructions to the departmental officers are included in the report at appropriate places.

Audit Findings

1.2.6 Financial Management

The UT Government provided financial assistance in the form of grants-in-aid every year to the municipalities through Local Administration Department for taking up projects and works relating to disposal of solid waste. The details of expenditure incurred by the test-checked municipalities from grants-in-aid and from own funds are furnished in **Table-1**.

¹⁰ Puducherry, Mahe and Yanam

¹¹ Puducherry, Oulgaret, Mahe and Yanam

Table-1: Expenditure on solid waste management from Grants-in-Aid and own fund of the municipalities

(₹ in Lakh)

Year	2005-06		2006-07		2007-08		2008-09		2009-10		Total	
	Own fund	Grants-in-aid	Own fund	Grants-in-aid	Own fund	Grants-in-aid	Own fund	Grants-in-aid	Own fund	Grants-in-aid	Own fund	Grants-in-aid
Puducherry	418.08	231.79	456.70	307.51	497.86	373.93	690.79	80.63	782.04	439.12	2845.47	1432.98
Oulgaret	395.48	65.56	493.12	156.72	501.13	193.71	655.40	77.44	898.00	288.00	2943.13	781.43
Mahe	28.39	0.00	27.79	0.00	38.74	0.00	54.62	1.46	50.99	0.00	200.53	1.46
Yanam	49.71	5.00	56.86	31.19	63.74	68.72	103.14	68.72	102.07	70.25	375.52	243.88
Total	1194.01		1502.10		1737.83		1732.20		2630.47		8824.40	

Source: Details furnished by municipalities

Audit findings on the financial management and management of contracts relating to transportation of municipal solid waste and hiring of machinery are discussed below:

1.2.6.1 Utilisation of plan funds for daily clearance of garbage

The Municipal Solid Wastes (Management and Handling) Rules (MSW Rules) which came into force in the year 2000 envisaged creation of facilities for processing as well as scientific disposal of waste. As provided in the Annual Plans, Government released grants-in-aid to the municipalities out of Plan funds for creation of infrastructural facilities during 2005-10. However, the municipalities utilised the plan grants for daily clearance of garbage in the municipal areas and transportation of waste to dumpsites instead of creating facilities for management of municipal solid waste.

1.2.6.2 Non-availing of financial assistance from the Central Pollution Control Board

The proposal (July 2005) of the Puducherry Municipality for setting up of a model facility for demonstration of municipal solid waste management in Puducherry municipal area at an estimated cost of ₹ 5.42 crore¹² with the financial assistance of the CPCB did not materialise as the UT Government failed to furnish a letter of commitment to the CPCB for sharing 50 per cent of the project cost. The demonstration project was subsequently shifted to Karaikal Municipality by PPCC as a separate solid waste

¹² For setting up of waste collection storage and transportation mechanism (₹ 1.23 crore), setting up of waste processing plant (₹ 3.37 crore) and improvement in the waste dumpsite and identifying of new sites for disposal (₹ 0.82 crore),

management project was sanctioned (February 2009) to Puducherry region under Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

1.2.6.3 Avoidable expenditure due to incorrect adoption of road length

Oulgaret and Yanam municipalities incurred avoidable expenditure of ₹ 75.34 lakh due to incorrect preparation of estimates.

As per SCMC recommendations, roads which have a central verge or divider are to be considered as two roads for assessing the road length. SCMC also recommended that the urban local body may prescribe norms for assigning road lengths for sweepers by classifying the density of area to be swept as high, medium and low ranging from 250 running meters to 750 running meters. Scrutiny of records of test-checked municipalities revealed that different norms in terms of road length were adopted for assessment of number of labourers required which resulted in engaging of more workers than required and additional expenditure towards labour charges. LAD, however, accorded expenditure sanction without scrutinizing the estimates prepared by the municipalities which led to avoidable additional expenditure of ₹ 75.34 lakh by Oulgaret and Yanam municipalities. Rates adopted by the municipalities in the estimates for road length for assessment of labourers required, labour charges, supervisor salary, hiring charges of vehicles deployed for transportation are given in **Appendix-1.2**.

1.2.6.4 Avoidable expenditure on hiring of excavator

Hiring of private excavator by Puducherry Municipality even after purchase of excavator resulted in avoidable expenditure of ₹ 19.62 lakh

Puducherry Municipality engaged (December 2007) a private excavator machine (JCB) for the purpose of leveling of garbage at the dumpsite on hire basis at the rate of ₹ 430 per hour. The Municipality purchased (September 2008) a JCB at a cost of ₹ 22.58 lakh for leveling of garbage at the dumpsite. The JCB was put into use at the dumpsite upto May 2009 and thereafter used for demolition of old buildings and other purposes. The private JCB was continued to be engaged for leveling of garbage in the dumpsite and an amount of ₹ 19.62 lakh was paid as hire charges during the period from September 2008 to March 2010. While the entries in the log book showed that the municipal JCB was not used on all days in a week and for eight hours daily, hire charges for private JCB was paid for eight hours or more on all the seven days in a week. Hence, the possibility of extending undue favour to the contractor could not be ruled out. The decision of the municipality to hire a JCB despite availability of one JCB in the municipality led to avoidable expenditure of ₹ 19.62 lakh. Puducherry Municipality replied (June 2010) that the JCB could not be used effectively in the dumpsite due to bad condition of the site and the JCB was being used for the removal of debris, garbage, bushes/shrubs at the roadsides and for removal of blockages in the drains/channels during rainy seasons. As these works are not of routine nature, municipality could have hired JCB for these works during exigencies instead of deploying its own JCB which would have minimised the expenditure on hiring charges.

1.2.7 Municipal Solid Waste

The MSW rules required every municipal authority, within their area, be responsible for collection, segregation, storage, transportation, processing and disposal of waste under various provisions of the rules. The Pondicherry Municipalities Act, 1973, *inter alia* required the municipalities to make adequate arrangements for sweeping, cleaning of streets, removal of rubbish and provision of dustbins and vehicles for removal of filth. The monitoring committee constituted by the Supreme Court on solid waste management recommended the practices to be followed for modernization of solid waste management. The deficiencies noticed in compliance of the provisions of the MSW rules and the recommendations of the Supreme Court Monitoring Committee (SCMC) are discussed in the succeeding paragraphs.

1.2.7.1 Assessment of quantum of waste generated

Scrutiny of records maintained by Puducherry Pollution Control Committee (PPCC) revealed that the Committee had no mechanism to assess the quantity and source of waste generated in the UT but only compiled the data obtained from the municipalities and forwarded them to CPCB. Studies conducted by the National Environmental Engineering Research Institute and Non Governmental Organisations (NGOs) revealed that, on an average, the per capita waste generated in India varied from 200 gms in rural areas to 600 gms in metropolitan cities. Incidentally, it was also noticed that in the project estimate¹³ (2007) for Integrated Solid Waste Management Project (ISWMP) to be taken up under JNNURM, the per capita waste generated in the Puducherry and Oulgaret Municipalities was assessed as 562 gms per day. In the absence of such assessment made in respect of other two municipalities, by adopting 562 gms as the assessed generation of waste in the test-checked municipalities, the estimated quantity of waste generated based on the present population is detailed in **Table 2:**

¹³ Prepared by Puducherry Agro Service and Industries Corporation Limited and Eco Save Systems Private Limited, Mumbai

Table – 2 : Details of quantum of waste generated in UT of Puducherry

Name of the Municipality	Population (as per 2001 census)	Estimated Population (2010)	As per the data furnished by municipalities		Estimated waste generation @ 562 grams per capita per day (MT)	Variation in reported waste generation to estimated waste generation per day (percentage)
			Quantity of waste generated per day (MT)	Per capita waste per day		
Puducherry	223323	264660	275	1039 gms	149	85
Oulgaret	217707	257970	172	667 gms	145	19
Mahe	36828	40152	9	224 gms	23	NA
Yanam	31394	44057	36	817 gms	25	45

NA : Not applicable as the reported waste generation is less than the assessed waste generation of 562 gms per day

Source: Directorate of Economics and Statistics, Records of Municipalities and ISWMP Project Report

PPCC failed to assess the quantum of waste generated in the UT

The daily quantum of waste reported to have been generated in Puducherry, Oulgaret and Yanam municipalities was abnormal as compared to the assessed per capita waste generation of 562 gms per day. The variation between the reported per capita generation and the assessed per capita generation ranged between 19 and 85 *per cent*. PPCC and LAD failed to monitor and verify the veracity of the report furnished by these municipalities. As the municipalities engaged, through contractors, vehicles for transporting the reported quantities everyday, this aspect needs to be investigated by the Government in view of non-weighment of garbage transported by contractors and improper maintenance of records at dumpsites as discussed in paragraph 1.2.7.6.1.

1.2.7.2 Collection of waste

According to compliance criteria of MSW rules, the municipalities shall adopt any of the methods like house-to-house collection, community bin collection, collection of waste on regular pre-informed timings and scheduling by using bell ringing of musical vehicle etc,. MSW rules required the municipal authorities to establish and maintain storage facilities in such a manner that they do not create unhygienic and unsanitary conditions around it. Stray animals were not to be allowed to move around waste storage facilities. Besides, bins for storage of bio-degradable wastes were to be painted green, those for storage of recyclable wastes be painted white and those for storage of other wastes be painted black.

As per recommendations of Supreme Court Monitoring Committee (SCMC) on solid waste management, the municipalities were to provide community dustbins at a reasonable distance ranging from 25 to 250 metres of road length depending on local condition. The details of community dustbins required and placed by the test-checked municipalities are furnished in **Table-3**.

Table- 3: Details of community dustbins

Name of the municipality	Road length (in metres)	Community dustbins required (@ one bin for every 250 metres)	Dustbins provided	Shortage
Puducherry	230044	920	525	395
Oulgaret	274318	1097	300	797
Mahe	105230	420	0	420
Yanam	48500	194	186	8

Source: Records of Municipalities

Inadequate provision of dust bins resulted in garbage being thrown on roadsides and municipal drains



Devaki Nagar (Rainbow Nagar Ward) in Oulgaret Municipality

In Puducherry and Oulgaret municipalities, door-to-door collection of waste was done partially. Inadequate provision of community bins in Puducherry and Oulgaret Municipalities resulted in wastes being thrown on the roadsides and also in municipal drains blocking free flow of water. A drain blocked due to dumping of garbage in Oulgaret municipality noticed during field visit (October 2010) is shown in the photograph.

In Mahe municipality, neither door-to-door-collection was done nor dust bins provided for collection of waste which resulted in dumping of garbage on roadsides. In Yanam region, collection of waste was done both by door-to-door collection as well as from community bins in all the wards. Out of 103¹⁴ wards in the test-checked municipalities, segregation of waste at source was done in only one¹⁵ ward. As segregation of waste



Garbage thrown on roadsides in Mahe

was not done, biodegradable and non-biodegradable waste were dumped together in the dumpsites. Though these municipalities had engaged private contractors for clearing of garbage generated in their municipal areas, none of the municipalities had taken action to involve private participation in processing of waste. During exit conference, the Development Commissioner instructed (September 2010) the Director (LAD) to give suitable instructions to the municipalities to provide adequate number of community bins and stated that the proposed ISWMP

¹⁴ Puducherry – 42; Oulgaret – 37; Mahe – 14; Yanam – 10

¹⁵ Raj Bhawan ward where the work was entrusted to an NGO

for Puducherry and Oulgaret Municipalities would cover all the aspects of waste management.

1.2.7.2.1 Non-collection of charges for bulk clearance of waste

As per recommendations of SCMC, municipalities have to make arrangements for collection of waste from marriage halls, community halls, HCEs etc., daily on a full-cost-recovery basis. In the UT, the waste generated by these establishments is collected by the respective municipalities. Three¹⁶ out of the test-checked municipalities had not fixed charges for bulk clearance of waste. Even though Puducherry Municipality had fixed bulk clearance charges, collection was deficient as it had no updated figures of the establishments including HCEs situated in the municipal jurisdiction. During exit conference, the Development Commissioner stated (September 2010) that suitable instructions would be given to the municipalities to collect charges for bulk clearance from hotels, marriage halls and community halls.

1.2.7.3 Landfill sites for disposal of waste

MSW Rules define land filling as the disposal of residual solid waste on a land in a facility designed with protective measures against pollution of ground water, surface water, wind-blown litter, bad odour, fire hazard, bird menace, pests or rodents and erosion. Even though the MSW rules stipulated that the landfill site should be large enough to last for 20 to 25 years, Puducherry Municipality acquired land for an extent of 9.99 hectares (April 2005) in Kurumbapet Village at a cost of ₹ 4.97 crore which would meet the requirement only for 10 years. As specified in MSW Rules, a buffer zone of no development is to be maintained around landfill site and incorporated in the Town Planning Department's land use plans. The municipality, however, failed to assess the adverse consequences such as contamination of water bodies (open wells, tube wells etc), pollution of soil etc. and had not declared buffer zone around the proposed landfill site through Town and Country Planning Department. Puducherry and Oulgaret municipalities however had not commenced their activities in the land acquired for landfill site and the garbage was continued to be dumped in the existing Karuvadikuppam dumpsite. The Mahe and Yanam municipalities had no proposals for setting up landfill site. During exit conference, the Development commissioner assured (September 2010) that the mandatory requirements would be complied without fail.

1.2.7.4 Non-setting up of waste processing and disposal facilities

MSW Rules stipulate that every municipal authority has to obtain authorisation from PPCC for setting up of waste processing and disposal facility including landfills. Every municipal authority was to set up waste processing and disposal facilities by 31 December 2003 or earlier for processing and disposing the waste generated within their jurisdiction.

¹⁶ Oulgaret, Mahe and Yanam Municipalities

Scrutiny of records maintained by PPCC, however, revealed that only two¹⁷ municipalities in Puducherry region had obtained authorisation and that was not renewed since 2003. The other two¹⁸ municipalities had not obtained authorisation as of October 2010. To an audit query, PPCC stated that the municipalities furnished incomplete information and that the applications for grant of authorization were under process. Thus, the municipalities, in violation of MSW rules, continue to dispose the municipal solid waste without authorisation. It was also noticed in audit that none of the five municipalities had set up waste processing and disposal facilities till date (June 2010). As the municipalities continued to dump the waste in open environment without scientific disposal, the risk to human beings due to contamination of soil and ground water was high. PPCC reported (March 2010) that in the surrounding areas of Karuvadikuppam dumpsite, ground water and surface water was contaminated with high levels of nitrate. Waste handlers are exposed to infectious materials everyday in the process of disposal of waste and they are at considerable risk while handling waste.

1.2.7.5 Burning of waste in the dumpsites

The MSW Rules stipulated that the waste collected by the municipal local bodies should not be burnt. During joint inspection of the dumpsites at Karuvadikuppam dumpsite¹⁹ and Kanakalapeta dumpsite²⁰ by audit with



departmental officials, it was seen that the waste was burnt continuously emitting smoke and odour violating the rules. Neither the municipalities nor the PPCC had taken any action to prevent burning of waste including plastic produces which poses serious environment and health hazards. During exit conference, the Development Commissioner

instructed (September 2010) the Director, LAD to take steps to avoid burning of waste in the dumpsite.

1.2.7.6 Privatisation of garbage clearance

In the UT of Puducherry, the work of cleaning, collection and transportation of garbage to the dumpsites was privatized by all the test-checked municipalities in phased manner. Contractors/self-help groups/service associations were engaged to undertake the work at the rates

¹⁷ Puducherry and Oulgaret municipalities

¹⁸ Mahe and Yanam municipalities

¹⁹ On 2 June 2010 with Assistant Commissioner, Puducherry Municipality

²⁰ On 15 June 2010 with Junior Engineer, Yanam Municipality.

specified in the estimates prepared by the municipalities. The contracts were extended every year by the Municipal Councils in three municipalities²¹. In Mahe municipality, the work was done by two contractors during the period.

Collection and transportation of waste was done by contractors/self-help groups (SHGs)/NGOs in 102²² out of 103 wards in the test-checked municipalities. Collection of waste was done in one ward by Oulgaret Municipality. Review of records connected with the works revealed the following:

1.2.7.6.1 Weighment of garbage transported not done

Even though the agreements executed with contractors for collection and transportation of garbage provided for weighment of garbage by the contractor at his/her cost once in a week or as and when required by the Commissioner of municipalities, this agreement condition was not followed by the contractors. It was seen that none of the municipalities had provided weigh-bridge facility in their dumpsites to measure the waste brought to the site. The garbage collected from Puducherry and Oulgaret municipalities are transported to the dumpsite at Karuvadikuppam. In the absence of weighment records, the municipalities did not have the statistics of the actual quantum of waste generated and cleared per day in their areas. Payments were made to contractors on the basis of trips made to dumpsites. As per instructions issued (November 2005) by LAD, the vehicles engaged by private contractors for transportation of garbage to the dumpsite should carry three trip loads of garbage every day and 2.5 MT of garbage each trip. This instruction was not strictly adhered to by the Municipalities citing practical problems in transportation of waste. The quantity of waste cleared daily in terms of metric tons as reported by the municipalities was not based on any record and not susceptible to verification.

1.2.7.6.2. Garbage transportation vehicles not covered with net

As stipulated in MSW Rules, vehicles used for transportation of waste should be covered to prevent scattering and exposure of waste to open environment. Even though this condition was included in the agreements, it was seen during joint inspection that vehicles transporting garbage in Yanam Municipality were not covered with net. During exit conference, the Development Commissioner stated (September 2010) that the Commissioners of municipalities would be instructed to adhere to the agreement conditions without deviations.

²¹ Puducherry, Oulgaret and Yanam Municipalities

²² Puducherry – 42; Oulgaret – 36; Mahe –14 and Yanam – 10.

1.2.8 Bio-Medical Waste

Bio-medical waste is generated during diagnosis, treatment, immunization of human beings and animals, related research activities etc. HCEs such as hospitals, nursing homes, pathological laboratories, blood banks etc. are the BMW generating establishments. Government of India framed the Bio-Medical Waste (Management and Handling) Rules, 1998 (BMW Rules) under the provisions of the Environment (Protection) Act, 1986, wherein the procedure for treatment and disposal of bio-medical waste was prescribed. PPCC is the prescribed authority to monitor and implement the rules in the UT. The deficiencies noticed in compliance of the provisions of the BMW rules are discussed in the succeeding paragraphs.

1.2.8.1 Non-setting up of common treatment facilities

As per BMW Rules, the municipalities are responsible for providing suitable common disposal/incineration sites for disposal of bio-medical waste generated in the area under their jurisdiction and the waste management treatment facilities should be provided by the generators of bio-medical waste latest by 31 December 2002. It was noticed in audit that none of the test-checked municipalities had set up common treatment facility in their jurisdiction.

To an audit query, the PPCC stated (July 2010) that all HCEs except the major waste generators like Government General Hospitals (GH) and Government Maternity hospital, Puducherry and all medical colleges who disposed their bio-medical waste through incinerators, disposed the bio-medical waste generated from their hospitals through concerned municipalities.

1.2.8.2 Health Care Establishments functioning without authorisation

As per BMW Rules, every hospital/HCE has to take steps to ensure that bio-medical waste is handled without any adverse effect on human health and environment. Also, every occupier of an institution generating, collecting, receiving, storing, transporting, treating, disposing and/or handling bio-medical waste in any other manner, except such occupier of clinics, dispensaries, pathological laboratories, blood bank providing treatment/service to less than one thousand patients per month have to obtain authorisation from prescribed authority.

There are 211²³ hospitals/HCEs including 21 Government veterinary institutions functioning in the UT of Puducherry and the status of authorisation received from PPCC by these hospitals is furnished in **Table 4**.

²³ As per the details obtained from Deputy Director (Public Health), Puducherry and PPCC

Table 4 – Details of Authorisation issued to HCEs

Status as on 30 June 2010	Government	Private	Govt. Veterinary Institutions	Clinics/testing Laboratories	Total
Hospitals with valid authorisation	1	10	-	-	11
Hospitals which have obtained authorisation but not renewed	15	25	-	-	40
Hospitals applied for authorisation	-	2	-	-	2
Hospitals not applied for authorisation	40	34	21	63	158

Source: Records of PPCC and o/o the Deputy Director Public Health

Two hundred HCEs in UT were functioning without valid authorisation

It could be seen from the above table that 200 out of 211 hospitals/HCEs in the UT were functioning without valid authorisation, out of which 76 were Government HCEs. As per the records of Deputy Director (Public Health), there are 190²⁴ hospitals/HCEs in the UT whereas the records maintained by the PPCC showed only 112 HCEs in the UT. Due to the failure of PPCC to have complete information of HCEs functioning in the UT, many HCEs were functioning without authorisation. Compliance of BMW rules by these HCEs was not monitored by PPCC. Thus, the possibility of instances of improper disposal of bio-medical waste and violation of BMW rules by unauthorised HCEs could not be ruled out. During exit conference, Special Secretary (Science, Technology and Environment) assured (August 2010) that authorisation would be issued to all the HCEs in UT before November 2010.

1.2.8.3 Non maintenance of records by hospitals

As per BMW Rules, every authorised hospital/HCE shall maintain records relating to generation, collection, reception, storage, transportation, treatment, disposal and handling of bio-medical waste in accordance with the rules and guidelines issued. All the records are subject to inspection and verification by PPCC at any time. It was noticed that nine²⁵ out of 10 test-checked Government HCEs and seven²⁶ out of nine private hospitals had not maintained the records as required under the rules. Of these, four out of 10 Government HCEs and six out of seven private HCEs were issued authorisation by PPCC. Even though PPCC inspected these HCEs at the time of issue of authorisation, it did not conduct periodical inspections to monitor proper maintenance of records by these HCEs.

²⁴ Other than 21 veterinary institutions.

²⁵ Government General Hospital at Puducherry, seven PHCs (Kalapet, Suramangalam, Mettupalayam, Kosapalayam, Gorimedu, Karayamputtur in Puducherry and Pandakkal in Mahe), E.S.I Hospital, Puducherry

²⁶ St.Joseph of Cluny, PMRC, New Medical Centre, Jothi Eye care, Mahalakshmi Nursing Home, Tersor Nursing Home and Aravind Eye Hospital

1.2.8.4 Collection and segregation of bio-medical waste

As per rules, bio-medical waste has to be segregated into appropriate colour coded containers/bags at the point of generation in the HCEs before their transportation, treatment and disposal. The colour coding and method of treatment are given in **Appendix 1.3**.

Joint inspection of Puducherry GH, and test-checked private hospitals by the audit party along with hospital authorities and officials of PPCC revealed that:

- (i) Colour code was not followed in Puducherry GH.
- (ii) Though colour code was followed in the test checked private hospitals which do not have their own disposal facilities, the segregated bio-medical waste was handed over to the municipalities which in turn dumped the bio-medical waste in the dumpsite along with municipal waste, defeating the purpose of segregation.



- (iii) In Jawaharlal Nehru Institute of Post Graduate Medical Education and Research (JIPMER), the used needles and syringes were thrown into dust bin without cutting and disinfection.

(iv) The bio-medical waste collected by Yanam Municipality was mixed with municipal solid waste and dumped in the dumpsite. Stray cattle were also noticed at the dumping site.

1.2.8.5 Transportation of bio-medical waste

As per rules, untreated bio-medical waste shall be transported only in such vehicle authorised for the purpose by PPCC. Bio-medical waste collected by the municipalities was transported either by contract vehicle or by vehicles owned by municipalities to the dumpsite or deep burial ground. Biomedical waste generated in two²⁷ Government hospitals, were transported to the incinerator installed in the premises of Government Chest Hospital, Gorimedu, Puducherry through a hospital van. The bio-medical waste generated by Primary Health Centres (PHCs) at Mahe was transported once in a week to the incinerator installed at GH, Mahe. Permission for storing the bio-medical waste beyond 48 hours was not obtained from PPCC by the PHCs. It was also noticed that the vehicles were transporting the bio-medical waste without obtaining authorization from PPCC.

Vehicles carrying bio-medical waste from HCEs were operating without obtaining authorisation from PPCC

²⁷ Government General Hospital and Government Maternity Hospital, Puducherry

1.2.8.6 Disposal of bio-medical waste

(i) Disposal through deep burial

As per BMW Rules, human anatomical waste and animal waste has to be incinerated in localities where population is more than five lakh. However, deep burial is permitted where the population is less than five lakh. According to the procedures laid down in the said rules, the location of the deep burial pit should be authorised by the prescribed authority and the pit should be dug two meters deep and half filled with waste. It should then be covered with lime within 50 cm of the surface before filling the rest with soil. The pits should be away from dwelling places and water sources to avoid contamination of water. On each occasion when wastes are added to the pit, a layer of 10 cm of soil shall be added to cover the wastes. The municipalities shall maintain a record of all pits for deep burial.

Deep burial of bio-medical waste not done in accordance with the rules

In Puducherry Municipality, the bio-medical waste from 27²⁸ hospitals were collected by private contractors and stated to be buried at Kurumbapet dumping site. The municipalities have not maintained any record of pits used for deep burial, as required under the rules. During joint inspection of Kurumbapet site, it was noticed that procedures envisaged in the rules were not adhered to for disposal of bio-medical waste through deep burial. The Municipalities have not purchased lime and the burial pits were not covered with lime as required under the rules. Stray dogs were noticed at the burial site. Thus, due to failure of the municipalities to dispose the bio-medical waste as per rules, the possibility of exposure of hazardous bio-medical waste to environment, contamination of ground water and surface water could not be ruled out.

(ii) Disposal through incineration

As per details furnished by PPCC, eight²⁹ incinerators are in use in the UT of Puducherry. During joint inspection of incinerators maintained by four³⁰ test checked hospitals, it was noticed that the incinerators were in working condition.

²⁸ Five Government Hospitals (other than the waste sent for incineration to Government Chest Hospital) and 22 private hospitals.

²⁹ Puducherry region- Gorimedu (for GH and Maternity Hospital), JIPMER, Mahatma Gandhi Medical College and Research Institute (MGMCRI), Aarupadai Veedu Medical College and Hospital, Puducherry Institute of Medical Sciences.

Karaikal region – GH and Vinayaga Mission Medical College and Hospital
Mahe region - GH

³⁰ Government Chest Hospital at Gorimedu, JIPMER, GH Mahe and MGMCRI



The incinerator purchased by Yanam Government Hospital (January 2004) was not installed due to public protest and the parts of the incinerator were found dumped at the selected site without any protection from the date of purchase. The incinerator could not be installed at the alternative site

also as the condition of the incinerator deteriorated due to efflux of time. Approval of Health department for the proposal sent (December 2008) by GH, Yanam to repair the incinerator at a cost of ₹ 9.93 lakh was still awaited (June 2010). The expenditure incurred (₹ 5.68 lakh) on procurement of incinerator remained unfruitful and the lack of incinerator facilities in the region had deprived the public of hygienic environment.

(iii) Disposal of plastic bio-medical waste

Plastic bottles used for intravenous fluid were to be disinfected by autoclaving/micro waving before disposal. The disinfected plastic bio-medical waste should be shredded³¹ before disposal to recyclers for recycling. It was noticed that out of 22 test-checked hospitals, only one hospital³² disposed the used intravenous fluid bottles after shredding.

1.2.9 Manufacture and Usage of Plastics

Plastics have replaced the traditional materials like paper and cloth used for packing. India has witnessed a substantial growth in the consumption of plastics and increased production of plastic waste. Non-bio degradable and non-recyclable plastic waste thrown in the drainage channels block the free flow of liquid waste and create an unhygienic environment resulting in various health hazards like water borne diseases.

According to Plastics Manufacture, Sale and Usage Rules, 1999 (as amended in 2003), every manufacturer of carry bags or containers of virgin plastic or recycled plastic or both shall register with PPCC before commencement of production. Details collected from the Directorate of Industries and Commerce showed that 135 manufacturers of plastic bags and containers were operating in the UT as of May 2010. Out of them, only eight manufacturers have registered with PPCC. The PPCC has not maintained complete data of plastic manufacturers so as to initiate action against the defaulters for non compliance of rules.

³¹ Shredding is a process by which waste are de-shaped or cut into smaller pieces so as to make waste unrecognizable

³² Aravind Eye Hospital, Puducherry

The UT Government banned (December 2009) the use, sale or store of polythene or plastic disposable cups and carry bags of size less than 8 x 12 inches of thickness 50 microns or below and notified the officers³³ to implement the order with the Member Secretary, PPCC as coordinator for implementation of the order. To an audit query, PPCC stated (August 2010) directions were issued to fifteen traders and manufacturers for adhering to the Government order. However, no case was filed by the officers notified for implementing the rules from the date of issue of ban order. During exit conference, the Development Commissioner replied (September 2010) that ban on use and store of plastic carry bags and containers of less than 50 microns would be strictly enforced.

1.2.10 Monitoring

The PPCC is responsible for monitoring of various quality parameters relating to ground water, surface water, ambient air, noise pollution, operating and emission standards for incinerators, standards for liquid waste etc in the UT of Puducherry. The Municipal Health Officers are responsible for supervising sanitary works, day and night garbage cleaning, monitoring the free flow of liquid wastes in drains etc.

1.2.10.1 Monitoring by PPCC

(i) Besides enforcement of various rules and regulations relating to management of municipal solid waste, bio-medical waste and plastic waste, the functions of PPCC include, *inter alia*, planning of comprehensive programme for prevention and control of pollution, advise the UT Government in framing environmental and industrial policy and preparation of action plan on solid waste, bio-medical waste and hazardous management. As per the provisions of the Water (Prevention and Control of Pollution) Act, 1974, a full time Member Secretary possessing qualifications, knowledge and experience of scientific, engineering or management aspects of pollution control should be appointed for PPCC. However, PPCC did not have a full-time Member Secretary. Director, Department of Science, Technology and Environment was holding the additional charge of Member-Secretary during the period covered under audit. It was also noticed that the incumbents did not have the requisite qualification as recommended by the High Powered Committee on management of hazardous wastes constituted by the Hon'ble Supreme Court of India.

Monitoring and enforcement of rules by PPCC was deficient

³³ Sub Divisional Magistrates, Regional Administrators of Mahe and Yanam, Director, Department of Science, Technology and Environment / Member Secretary PPCC, Puducherry, Director, Department of Civil supplies and consumers affairs, Puducherry, Commissioners of Municipalities and Commune Panchayats, Health officers of Municipalities, Sanitary Inspectors of Municipalities and Commune Panchayats and Food Inspectors of Food and Drug Administration of Health Department, Puducherry.

(ii) Section 15(1) of the Environment (Protection) Act, 1986 provides for appropriate penalties to be levied by PPCC against the violators of rules relating to management of wastes. PPCC issued 16 directions³⁴ to municipalities during 2005-10 for violation of the MSW rules. The PPCC, however, had not taken any penal action against the municipalities and the municipalities continued to dispose of municipal solid waste without complying with the MSW Rules.

(iii) Though envisaged in the Act, the PPCC had not conducted any study on possible risks to human health from factors like contamination of soil and chemical poisoning from improper disposal of municipal solid waste, bio-medical waste and plastic waste. In the absence of assessment by PPCC, the potential damage to the environment and human health may go unnoticed. When this was pointed out by Audit, PPCC replied (September 2010) that the issue would be addressed by strengthening PPCC with additional manpower. During exit conference, the Development Commissioner instructed (September 2010) Director, LAD to make risk assessment.

(iv) The PPCC had not fixed any norms for inspection of HCEs. In the absence of norms for inspection, shortfall in conduct of inspections could not be ascertained in audit. During the period covered by audit, only five surprise inspections were conducted by PPCC. Further, the PPCC had not inspected the incinerators installed at GH Karaikal and GH Mahe to verify the compliance of standards as required under the Rules.

The PPCC to an audit query stated that as against the requirement of eight officials (5 – technical and 3 – non-technical), the available strength was one (technical) and due to insufficient man power, monitoring of HCEs and local bodies was not done periodically. PPCC replied (August 2010) that the proposal for additional posts has been sent to CPCB.

1.2.10.2 Monitoring by municipalities

As per the Pondicherry Municipalities Act, 1973, a Municipal Health Officer (MHO) should be posted in each municipality to monitor the public health and sanitation activities. It was noticed that MHOs were posted in only two³⁵ out of the four test-checked municipalities. In Mahe and Yanam municipalities, the post of MHO was not sanctioned by Government. In the absence of MHOs, the public health and sanitation activities in these municipalities were looked after by lower level staff. During exit conference, the Development Commissioner stated (September 2010) that the Commissioners would be instructed to submit proposals for filling up of the post of MHO.

³⁴ Puducherry Municipality (6), Oulgaret Municipality (5), Karaikal Municipality (2), Mahe Municipality (1) and Yanam Municipality (2)

³⁵ Puducherry and Oulgaret municipalities

1.2.11 Conclusion

The present arrangements in the municipalities for solid waste management suffer from a number of deficiencies. Landfills had not been established and all the municipalities were dumping the solid waste in open dumpsites and burning the waste posing environmental and health hazards. Almost all health care establishments violated bio-medical waste management rules while handling the bio-medical waste. Monitoring by PPCC, the regulatory authority to enforce the implementation of rules, was deficient.

1.2.12 Recommendations

- Municipal solid waste management rules need to be implemented by giving priority to segregation of different wastes and setting up of processing units and landfills.
- All payments to contractors should be made strictly in accordance with the terms and conditions of the contract.
- Common treatment facility for treatment of bio-medical waste should be provided by municipalities.
- Puducherry Pollution Control Committee should collect information about all the health care establishments in the Union Territory and ensure all these establishments function with valid authorisation.
- Puducherry Pollution Control Committee should conduct periodical inspections of waste generating units and ensure safe disposal of waste.

CHAPTER II

AUDIT OF TRANSACTIONS

This chapter presents the results of the audit of transactions of various departments of the Government, their field formations as well as those of local and autonomous bodies. Instances of lapses in the management of resources and failures in the observance of the norms of regularity, propriety and economy have been presented in the succeeding paragraphs under broad headings.

2.1 Avoidable expenditure

HEALTH AND FAMILY WELFARE DEPARTMENT

2.1.1 Avoidable expenditure on payment of health insurance premium for ineligible beneficiaries

Provision of health insurance cover to ineligible families under 'Health Insurance Scheme for Below Poverty Line families' in Mahe Region resulted in avoidable expenditure of ₹ 88.90 lakh.

Government introduced (April and May 2008) a health insurance scheme to 3,190 below poverty line (BPL) families residing in Mahe Region with the objective of providing comprehensive health insurance cover to BPL families with annual income of less than ₹ 24,000. As agreed to in the Memorandum of Understanding signed (November 2007) between the Director of Health and Family Welfare Services (DHFWS) and an insurance company, Government was to pay the company, annual insurance premium at the rate of ₹ 1,506 per unit of five members of the BPL families to be covered in the region. The scheme was extended by Government for a further period of one year, i.e., up to May 2010. The insurance company was paid total premium of ₹ 96.08 lakh for the two-year period in respect of 3,190 BPL families in Mahe region.

Scrutiny of records revealed that in response to DHFWS's request to furnish the number of BPL families in Mahe region, the Regional Administrator of Mahe informed (June 2007) that there were 3,190 BPL families in the region with annual family income of less than ₹ 24,000. DHFWS adopted this figure for coverage of BPL families under the health insurance scheme without verifying its correctness.

It was noticed in audit that in the proforma prescribed for monitoring the functioning of the public distribution system at the district level, furnished (June 2007) to the Ministry of Food and Civil Supplies, Government of India, the Regional Administrator gave the number of BPL cards in Mahe as 245 as of May 2007. This data was furnished by the Regional Administrator based on the records of Civil Supplies and Consumer Affairs Department. The number of BPL cards in the region as on 31 March 2008

and 2009 were only 240 and 237 respectively, out of the total 6,795 and 6,932 ration cards issued including above poverty line (APL) cards. Further, a survey undertaken by the Puducherry State Health Mission for coverage of National Rural Health Mission in Mahe Region indicated that only 0.5 per cent of the total population (39,000) of Mahe constituted BPL population.

A cross-verification by Audit of the monthly progress report showing the beneficiaries under the Health Insurance Scheme at the Government Hospital, Mahe with the records of the Civil Supplies and Consumer Affairs Department, Mahe relating to the issue of ration cards in the region revealed that 46 out of 47 beneficiaries test-checked were from the APL category. Hence, it is evident that the number of BPL families adopted for coverage of the health insurance scheme was without any basis and the benefit of health insurance cover was irregularly extended to 2,950 (2008-09) and 2,953 (2009-2010) APL families, who were not eligible for coverage under the scheme. The reply of the Regional Administrator that the list of beneficiaries was not readily available seemed to confirm the above fact.

Thus, the irregular extension of the benefits of the scheme meant for BPL families, to ineligible beneficiaries resulted in avoidable expenditure of ₹ 88.90 lakh towards premium paid for them during 2008-10.

When this was pointed out, Government replied (July 2010) that the DHFWS had obtained the list of families which could be termed as BPL families based on their income, from the appropriate authority i.e., the Regional Administrator, Mahe and that it was not required of the DHFWS to question the veracity of the statement issued by the Regional Administrator. The contention is not acceptable as the Government revised (July 2002) the annual income criteria for BPL families from ₹ 15,000 to ₹ 24,000 for issuing ration cards. Moreover, when asked for the details of list of beneficiaries, the Regional Administrator was unable to furnish the same.

PUBLIC WORKS DEPARTMENT

2.1.2 Avoidable additional expenditure on foreclosure of contract

Failure of the Executive Engineer, Public Health Division, Puducherry to provide a clear site for construction of a collection well and pump house led to foreclosure of the contract and execution of the work by another contractor at higher rates resulting in additional expenditure of ₹ 47.10 lakh.

A piece of land measuring 700 sq.m. at Pudupalayam in Puducherry was transferred (November 2003) to the Public Works Department by the Pondicherry Slum Clearance Board for construction of a pumping station and stacking yard for an underground sewerage scheme to Nellithope and surrounding areas. On becoming aware that the land was already in use by

the Puducherry Municipality which had started constructing a tuition centre and a health centre there, the Executive Engineer (EE), Public Health Division, requested (November 2004) the Commissioner of Puducherry Municipality to clear the site.

Despite being aware that the land was in use by the Puducherry Municipality (November 2004), the EE awarded (April 2005) the work of 'Laying trunk sewer, pumping main, collection well and pump house' for Zone III of Puducherry to a contractor for a contract value of ₹ 1.71 crore with a stipulation to complete the work in 10 months. Out of the total contract value of ₹ 1.71 crore, the value of construction of the collection well and the pump house was for ₹ 26.02 lakh. The contractor commenced the work in May 2005. However, the work could not be taken up in some roads¹ and the component of construction of the collection well and the pump house could not be executed as the site earmarked for the purpose was already being used by the Puducherry Municipality which had constructed a tuition centre and a health centre. The contractor stopped (December 2005) the work and sought for (August 2006) foreclosure of the contract. The Chief Engineer foreclosed (November 2006) the contract, accepting the failure on the part of the department and instructed the Superintending Engineer, Circle II to complete the balance work through some other agency. An estimate of ₹ 85.30 lakh for part of the balance work including construction of the collection well and the pump house in the same location was sanctioned in February 2009. There was no response to the tender call made in March 2009. The land occupied by the Puducherry Municipality was cleared off to an extent of 645 sq.m. before the work was awarded (August 2009) to a contractor in the second call for ₹ 94.87 lakh which included the construction of collection well and pump house for ₹ 73.12 lakh in the same location as against the original cost of ₹ 26.02 lakh. The work was in progress (May 2010) and the contractor was paid ₹ 74.93 lakh as of May 2010.

Failure of the EE to hand over a clear site to the first contractor in 2005 resulted in foreclosure of the contract and construction of the collection well and the pump house through another contractor at higher rates, resulting in an additional expenditure of ₹ 47.10 lakh².

The matter was referred to the Government in July 2010. Reply had not been received (November 2010).

¹ Pondicherry Municipality commenced the work of laying cement concrete and black topping in these roads on the instructions of Member of Legislative Assembly

² ₹ 73.12 lakh – ₹ 26.02 lakh

2.2 Unfruitful expenditure

LOCAL ADMINISTRATION DEPARTMENT

2.2.1 Unfruitful expenditure on creation of infrastructural facilities

Failure of the Government to analyse the viability of a project resulted in non-operationalisation of a truck terminal constructed by the Oulgaret Municipality, rendering the expenditure of ₹ 2.52 crore incurred on creation of infrastructural facilities unfruitful.

To prevent heavy goods vehicles entering Puducherry town and to reduce traffic congestion, Government approved (1998) a proposal of constructing a truck terminal at Mettupalayam in Puducherry. The proposed terminal was to provide required infrastructural facilities to truck operators and transport agencies.

The land required for the terminal was acquired by the Revenue Department and handed over (May 2003) to Oulgaret Municipality for creation of infrastructural facilities. The Municipality, out of grants-in-aid provided by the Town and Country Planning Department, created (2005-06 to 2007-08) infrastructural facilities such as internal roads, idle parking areas, toilet blocks, street lights and high mast lamps, bore wells, security shed, drivers' rest sheds, temporary sheds for petty shops, etc., at a cost of ₹ 2.52 crore. The terminal was formally inaugurated by the then Chief Minister in June 2007.

Even though the truck terminal was declared open, the truck operators/transport agencies were reluctant to shift their vehicles to the truck terminal and demanded allotment of plots/sheds on long-term lease or outright sale basis. Government constituted (January 2008) a committee for the purpose of examining issues relating to allotment, framing of by-laws, requirement of additional facilities etc., and to give recommendation to Government. The Committee, which was to submit their recommendations to Government in a month, visited truck terminals in Chennai and Bangalore to examine the methodology adopted in similar truck terminals, held many discussions with the truck operators and submitted its interim report in May 2009 only. The Committee suggested to Government, among other things, to develop common godown facilities, office spaces and to allot spaces on rental basis to the truck operators under build, own, operate and transfer (BOOT) system. In order to avoid the lengthy procedure in the selection of a consultant for the preparation of detailed project report and to study the viability and sustainability of the project, as approved (June 2010) by the Government, the Municipality addressed (July 2010) the Ministry of Urban Development (MOUD), Government of India to suggest a consultant with expertise in technical, financial and legal fields. Reply from MOUD was awaited (September 2010).

As the infrastructural facilities were created without analysing the viability of the project, some of the facilities in the truck terminal were found in dilapidated condition due to non-maintenance. Besides, the objective of reducing traffic congestion in Puducherry town was not achieved even after three years.

The failure of the Government to analyse the viability of truck terminal before providing infrastructural facilities rendered the expenditure of ₹ 2.52 crore unfruitful.

The matter was referred to Government in May 2010. Reply had not been received (November 2010).

PUBLIC WORKS DEPARTMENT

2.2.2 Abandoning of a Manimandapam (Memorial) for Perunthalaivar Kamarajar midway due to non-allotment of adequate funds

Commencement of construction of a Manimandapam by the Public Works Department without adequate allotment of funds led to foreclosure of a contract and abandonment of the work midway after incurring expenditure of ₹ 2.30 crore.

According to paragraph 2.1 of the Central Public Works Department Works Manual, availability of adequate funds is one of the pre-requisites for execution of any work and no work should be commenced and liability created before allotment of funds.

Government accorded (September 2006) administrative approval and expenditure sanction for ₹ 21.83 crore for construction of a Manimandapam³ for Perunthalaivar Kamarajar at Karuvadikuppam in Puducherry. The Chief Engineer (CE), Public Works Department, technically sanctioned (February 2007) the estimate for civil work for ₹ 10.49 crore. The work was awarded (August 2007) to a firm in the second call of tender for a contract price of ₹ 14.72 crore for completion within 12 months. The contracting firm, which commenced the work in September 2007, stopped it in April 2008, citing non-payment of their bills and requesting assurance from the department regarding availability of funds for making payments to them. The work was executed up to the plinth level and ₹ 1.82 crore was paid to the firm at that stage.

In a review meeting conducted (September 2008) by the Minister for Public Works, it was suggested to minimise the project cost in view of paucity of funds and explore the possibility of completing the balance work on build, operate and transfer (BOT) basis. When requested by the

³ A memorial complex consisting of administrative block, museum, art gallery, library, study hall, auditorium and open air theatre

department, the contractor refused (October 2008) to carry out the balance work on BOT basis and the CE foreclosed (October 2009) the contract, after obtaining approval from the Works Advisory Board. Since the art gallery, museum and library of the complex related to the Art and Culture Department, the proposal of completing the balance work was forwarded (November 2009) to the Director of Art and Culture requesting for permission to complete the work under the BOT mode by calling for expressions of interest. The Executive Engineer (EE), Buildings and Roads (North) Division, incurred (February 2010) a total expenditure of ₹ 2.30 crore⁴ on the work. The firm claimed ₹ 41.02 lakh on account of extended stay costs towards overheads, under-utilisation of materials, idling charges for plant and machinery, expenses on security and maintenance of staff and interest on delayed payments.

Scrutiny (April 2009) of records of the EE revealed that even though the contract value was ₹ 14.72 crore and seven out of the 12 month contract period fell in the financial year 2007-08, a budget provision of ₹ 1.65 crore only was made for the work. For the year 2008-09 also, a budget provision of only ₹ 70 lakh was made for the work. The Superintending Engineer, Buildings and Road Circle-I stated (June 2008) that an amount of ₹ 12.90 crore was required to carry out the work and requested the CE to arrange for provision of additional funds of ₹ six crore to request the contractor to resume the work. However, no additional funds were allotted during the year 2008-09. In 2009-10 also, only a token provision of ₹ 1,000 was made for the work. The non-allotment of adequate funds resulted in foreclosure of the contract and abandoning of the work midway, after incurring an expenditure of ₹ 2.30 crore.

When this was pointed out by audit, Government stated (July 2010) that the department was exploring the possibility of constructing a convention centre in the site by utilising the structure already created.

Thus, the intended objective of constructing a Manimandapam for Perunthalaivar Kamarajar was not achieved. Besides incurring an unfruitful expenditure of ₹ 2.30 crore, there was an additional liability of ₹ 41.02 lakh on avoidable contractual claims.

⁴ Civil works ₹ 2.07 crore, providing hoarding to display model ₹ 1.77 lakh, consultancy service ₹ 16.68 lakh and model tableau ₹ 4.47 lakh

**HOME AND REVENUE AND DISASTER MANAGEMENT
DEPARTMENTS**

**2.2.3 Acquired land remained idle as it fell under the Coastal
Regulation Zone**

The intended objective of providing an India Reserve Battalion complex could not be achieved even after five years as the land acquired at a cost of ₹ 1.63 crore fell under the Coastal Regulation Zone.

The Ministry of Environment and Forests (MOEF), Government of India (GOI) notification (February 1991) declared the entire Indian coastal stretches as a coastal regulation zone (CRZ) and imposed certain restrictions on the setting up and expansion of industries, operations or processes etc., in CRZ. MOEF constituted (January 2002) the Puducherry Coastal Zone Management Authority (PCZMA), empowering it to examine the proposals for changes or modifications in classification of CRZ in the Union Territory of Puducherry (UT).

In order to construct a complex for the India Reserve Battalion (IRB) which was established in March 2005 by the UT with a sanctioned strength of 1007 personnel, it was proposed to acquire 100 acres of land. As against the total requirement of land, Government land to an extent of 24 acres and private land to an extent of 73 acres in Pillayarkuppam and Kirumampakkam revenue villages along the Puducherry coast were proposed for acquisition. A site selection committee constituted for selection of suitable land for construction of the IRB complex recommended (September 2004) that the land identified could be acquired subject to compliance of CRZ regulations. Even though a major portion of the proposed land fell under CRZ, the Deputy Collector (Revenue) South, who was also the Land Acquisition Officer, observed that the land was suitable for the purpose for which acquisition was being made. The private land acquired at a cost of ₹ 1.63 crore as well as the Government land were handed over to the Department in October 2005 and December 2005 respectively without obtaining clearance from PCZMA. The Commandant of IRB handed over (September 2006) the entire land to the Public Works Department (PWD) for construction of the building for the IRB.

The Puducherry Planning Authority (PPA) returned (May 2008) the PWD's building plan of the complex on the grounds that a major portion of the acquired land was within the CRZ area and that the construction of IRB Complex did not fall within the permitted activities under the CRZ notification. It directed PWD to obtain the opinion of PCZMA, the competent authority regarding development in CRZ area. However, neither the PWD nor the Police department approached PCZMA.

As there was no scope for construction of IRB complex in the near future, the Commandant of IRB sought (February 2009) the approval of Government for the construction of temporary sheds at the police complex at Gorimedu and Puducherry stating that the IRB personnel were housed in substandard motor transport garage of police complex without basic amenities. In the meantime, following a decision taken by the Union Home Minister in a Review Meeting conducted during April 2010 to transfer the already acquired land to the Tourism Department, the Chief Secretary to the Government of Puducherry addressed (May 2010) the Collector-cum-Special Secretary (Revenue) for allotting alternative site for the establishment of IRB headquarters.

Thus, the failure of the two departments in acquiring land which fell under CRZ, without obtaining necessary clearance from PCZMA resulted in non-achievement of the desired objective of providing an IRB complex even after five years.

When this was pointed out by audit, the Government (Home Department) stated (October 2010) that even though construction of buildings in approximately 19.65 acres was possible and the remaining area could be used to meet routine physical activities of IRB such as playground, parade ground, firing range etc., construction activities could not be taken up due to objections from local village people. It was stated that a suitable alternative site for IRB was being looked for, as the land was under transfer to the Tourism Department.

However, the fact remained that defective planning in acquisition of land falling under CRZ for the construction of IRB complex resulted in expenditure of ₹ 1.63 crore on acquisition of land becoming unfruitful, besides keeping the land idle for more than five years.

The matter was referred to the Government in November 2010. Reply from Revenue and Disaster Management Department had not been received (November 2010).

ELECTRICITY DEPARTMENT

2.2.4 Unfruitful expenditure on partial erection of transmission line

<p>Failure of the Puducherry Electricity Department to resolve the issue of right of way in order to complete the stringing of a second circuit transmission line over already existing double circuit towers resulted in unfruitful expenditure of ₹ 90.06 lakh.</p>
--

In order to interlink all the 110 kilo volt (KV) sub-stations in Puducherry region and to ensure stable and reliable power supply in the Kalapet area, the Puducherry Electricity Department (PED) intended (January 2004) to erect a second circuit 110 KV transmission line for a route length of

12.904 kms from Sedarapet sub-station to Kalapet sub-station. The new line was proposed to be laid over the double circuit towers (DCTs) already erected through the Tamil Nadu Electricity Board (TNEB) during the year 1992 for which necessary tree/crop compensation to the landowners was settled by TNEB between 1994 and 1996. Government sanctioned (February 2004) ₹ 94.90 lakh⁵ for the second circuit work and the entire amount was deposited with the Power Grid Corporation of India Limited (PGCIL), the implementing agency, in two instalments (March and May 2004).

The Works of Licensees Rules 2006 framed by the Ministry of Power, Government of India stipulate that in cases where the owner/occupier of a building or land raises objections, the licensee should, for carrying out the work, obtain permission in writing from the District Magistrate or the Commissioner of Police or any other officer authorised. Even though PED deposited the entire amount with PGCIL in May 2004, a formal agreement was signed only in June 2006. The conditions of agreement stipulated that the work was to be completed within a period of 24 months from the date of receipt of advance payment and the PED was responsible for providing right of way. In the event of performance of the work being affected for more than six months due to unforeseen circumstances, the parties were to consult and decide further course of action.

The contractor engaged by PGCIL for the work completed (May 2006) the work of stringing of new 110 KV line on the existing DCTs upto a route length of 7.691 kms and the balance work of stringing in 5.213 kms could not be taken up due to objection raised by the local people of the villages in Tamil Nadu State, who once again demanded compensation for tree/crop losses which the department reported as inadmissible as per the Indian Electricity Rules which provided for only one time tree/crop compensation. As the negotiation with the villagers did not yield any favourable result, PED took up the matter with the Revenue officials of Tamil Nadu. However, the work could not be started after May 2007 due to stiff resistance by the public and PED resorted to negotiation.

Since PED was unable to solve the issue of right of way even after two years, PGCIL communicated (June 2008) its decision to foreclose the contract. The contract was foreclosed in August 2008 after a meeting was held (August 2008) between PED and PGCIL. The bills for supply, erection, freight and insurance furnished by PGCIL amounting to ₹ 75.40 lakh were not adjusted (September 2010) against the advance payment.

The balance work of stringing in 5.213 kms was not taken up even as of October 2010. The failure of PED to take lawful action at the appropriate time to provide the right of way for the left-over portion resulted in

⁵ ₹ 79.45 lakh (Estimated cost of the work) plus ₹ 14.30 lakh (Consultancy fees @ 18 per cent) plus ₹ 1.15 lakh (Service Tax @ eight per cent on consultancy fees)

unfruitful expenditure of ₹ 90.06 lakh⁶ incurred for the stringing of new 110 KV transmission line partially.

When this was pointed out by Audit, Government stated (October 2010) that on receipt of particulars regarding the payment of compensation made to land owners in respect of the existing line, legal action had been initiated in September 2010 to restore the stringing of 110 KV line in the villages of Tamil Nadu. The reply is not tenable as the details were already made available by TNEB in the year 2006, PED could have taken lawful action in the year 2007 itself.

2.3 Blocking of funds

LOCAL ADMINISTRATION DEPARTMENT

2.3.1 Blocking of funds due to non-availability of site for construction of a community hall

Release of grant-in-aid to Oulgaret Municipality by the Department without even ensuring the availability of clear site to construct a community hall and non-adherence to provisions of General Financial Rules resulted in blocking of funds of ₹ 59.84 lakh for more than three years.

General Financial Rules (GFR) stipulate that Government departments should consider sanction of grants-in-aid to institutions only on the basis of viable and specific schemes drawn up in sufficient details by the institutions and that, in the event of non-utilisation, the refund of the amount of grants-in-aid with interest thereon should be brought out clearly in the letter sanctioning the grants-in-aid. The sanctioning authority may release grants-in-aid in instalments by prescribing the quantum and periodicity.

Government sanctioned (November 2006) grant-in-aid of ₹ 59.84 lakh to Oulgaret Municipality for construction of a community hall at Kalapet under the scheme of 'Financial assistance to municipalities for creation of infrastructural facilities in Tsunami affected areas'. Based on an assurance given by the Kalapet Fishermen Village Panchayat that the land required for the community hall would be handed over to the municipality, Oulgaret Municipality prepared (March 2007) a preliminary estimate of the work at a cost of ₹ 59.84 lakh and forwarded it to the Director, Local Administration Department for arranging release of grant-in-aid to the municipality. Government released (March 2007) grant-in-aid of ₹ 59.84 lakh for the purpose to the municipality. The release order, however, did

⁶ ₹ 75.40 lakh (expenditure for stringing upto 7.691Kms) plus consultancy fees @ 18 per cent and service tax @ eight per cent on consultancy fees.

not specify that in the event of non-utilisation of the grant-in-aid, the amount should be refunded with interest.

The Superintending Engineer of Oulgaret Municipality technically sanctioned (June 2008) the detailed estimate of the work for ₹ 65.20 lakh and issued work order (December 2008) to the successful tenderer for a value of ₹ 67.31 lakh, after getting approval from the Municipal Council.

All the efforts taken (September 2008 to May 2009) by the municipality to get the required land, which is owned by 11 fishermen, through registration of gift deeds in favour of the municipality did not fructify. The present village panchayat president and members were not willing to hand over the land free of cost and the land owners demanded compensation. As no clear work site to proceed with the work was available, it was decided (May 2009) to refund the earnest money deposit to the tenderer and to refund the grant-in-aid to Government. The Municipality, however, had not refunded the amount (June 2010) to Government.

Thus, the premature release of ₹ 59.84 lakh by the Department in lump sum without even ascertaining the availability of clear site to commence the work and non-adherence to the provisions of GFR regarding grants-in-aid resulted in blocking of funds for more than three years. It is pertinent to mention here that the Government obtained loans from Government of India during 2006-07 to cover the gap in resources of the Union Territory with interest rate of nine *per cent* per annum.

When pointed out by Audit, Government stated (September 2010) that due to difference of opinion among the Panchayat office-bearers in handing over the land, the proposal was dropped and that the funds released would be utilised for construction of a fish market at Kalapet. However, the fact remained that the premature release of grant meant for creation of infrastructural facilities in Tsunami affected areas resulted in blocking of funds, which could have otherwise been utilised more productively elsewhere.

CO-OPERATION DEPARTMENT

2.3.2 Blocking of funds due to premature release of funds

Premature release of funds to the Indian Coffee Workers' Co-operative Society resulted in blocking of ₹ 50 lakh outside Government account for more than three years.

Rule 209(3) of the General Financial Rules (GFRs) stipulates that Government departments should consider sanction of grants to any institution or organisation seeking grants-in-aid from Government only on the basis of viable and specific schemes drawn up in sufficient detail by the institution or organisation.

Based on a request (December 2005) from the Indian Coffee Workers' Co-operative Society (ICWCS) to provide financial assistance to them to construct a new building for the society, the Chief Minister directed the Registrar of Co-operatives (RCS) to include this item in the proposals for providing financial assistance to co-operatives during 2006-07. Government released (December 2006) ₹ 50 lakh⁷ to the ICWCS for construction of a new building. The RCS instructed (December 2006) ICWCS to keep the amount in a separate account to be opened in the Pondicherry State Co-operative Bank and requested (February 2007) it to get the building plan approved early and start the work.

Scrutiny of records revealed that at the time of seeking Government assistance, ICWCS had not submitted any detailed sketch or plan and the plan furnished had only a rough cost estimate of the building. The Indian National Trust for Art and Cultural Heritage (INTACH), Puducherry objected (September 2007) to the demolition of the old building of ICWCS as the existing building was a heritage building and suggested only additions and alterations (renovation) to the existing building. It was further noticed that ICWCS obtained (June 2009) building permission from the Puducherry Planning Authority for additions and alterations in the old building, as suggested by INTACH, instead of demolishing it. For speedy execution of work, it was decided (October 2009) to entrust the work to the Puducherry Adi-Dravidar Development Corporation (PADCO). Preparation of architectural drawings for the building was entrusted (November 2009) to INTACH and the preparation of detailed estimate of the work by PADCO was in progress (April 2010). ICWCS earned interest of ₹ 6.87 lakh from the investment of grant-in-aid up to September 2009.

Even though ICWCS had no immediate requirement for utilisation of the funds, the RCS failed to instruct ICWCS to refund the amount to Government. Thus, the premature release of entire funds sought for by ICWCS based on their rough cost estimate without obtaining detailed sketch or plan in contravention of the provisions of the GFRs resulted in blocking of funds of ₹ 50 lakh outside Government account for more than three years. As the Government obtained loans from Government of India, with interest rate of nine *per cent* per annum, to cover the gap in resources of the Union Territory during 2006-07, the interest liability of the Government could have been reduced to that extent, had the money been made available to ICWCS only when there was actual requirement.

The matter was referred to the Government in July 2010. Reply had not been received (November 2010).

⁷ ₹ 12.50 lakh as loan and ₹ 37.50 lakh as grant-in-aid

2.4 Loss of revenue

LOCAL ADMINISTRATION DEPARTMENT

OULGARET MUNICIPALITY

2.4.1 Non-levy of entertainment tax for the undeclared cable television connections

The Entertainments Tax Officer's failure to enforce the provisions of Act and rules led to non-levy of entertainment tax for the undeclared cable television connections given by the cable television operators and loss of revenue of ₹ 1.08 crore to the Oulgaret Municipality.

The Pondicherry Municipalities (Second amendment) Act, 1999 provides for levy of entertainment tax on cable television exhibition of any programme including cable television network at the rate of 10 *per cent* of the amount collected by a cable operator (CO) by way of contribution or subscription or installation or connection charges from a subscriber. The Pondicherry Municipalities (Entertainments Tax) (Amendment) Rules 1999 stipulate that the COs have to register with the Municipality and renew their registration every financial year. The entertainment tax was to be collected by the Entertainments Tax Officer (ETO) on the basis of the monthly returns submitted by the COs. The ETO was empowered to determine the quantum of tax in the event of non-submission of returns by the COs or submission of incomplete, incorrect or false returns. The COs were required to intimate in writing to the ETO every revision in the charges not less than 48 hours prior to such revision. Section 184 of Pondicherry Municipalities Act, 1973 provides for imposition of fine on every person who is prosecuted for non-payment of any tax, cess, fee or other sum due on proof to the satisfaction of the Magistrate. The Oulgaret Municipality (Municipality) brought the COs operating in its jurisdiction into tax net from June 2000.

Scrutiny of records pertaining to collection of entertainment tax from the COs by the Oulgaret Municipality revealed the following:

Sixty eight registered COs were operating in the municipal area as of March 2001 with reported subscriber strength of 8,843. Many of these COs, besides non-renewing their registration every financial year, had, neither paid entertainment tax regularly to the Municipality nor submitted the monthly returns showing the charges collected by them as envisaged in the rules. A survey conducted by the Municipality during 2005-06 revealed that unregistered operators were also exhibiting cable television within the municipal jurisdiction and there were 31,259 cable connections as against the 8,843 connections declared by the COs initially. Despite the existence of 22,416 undeclared connections, the Commissioner of the Municipality, who is also the ETO, had not determined the quantum of entertainment tax due to the Municipality from the COs. There was no

response to the notice served to the COs based on the survey report and the ETO had not taken coercive action to bring all COs into tax net. The entertainment tax collection declined from ₹ 15.72 lakh in 2004-05 to ₹ 0.07 lakh in 2008-09. To an audit query, the Revenue Office of the Municipality replied (October 2009) that entertainment tax of ₹ 59.22 lakh from 68 COs was due as of 31 March 2009 in respect of 8,843 connections.

A comment was made in paragraph 3.3.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 regarding non-collection of tax from COs who had neither renewed their permits/registration nor paid the tax upto March 2004 in the five Municipalities of Union Territory of Puducherry. During discussion of the paragraph by the Committee on Public Accounts (PAC), the Director of Local Administration (LAD) stated (February 2009) that none of the COs was operating in the municipal areas without permit. Scrutiny of records of Oulgaret Municipality, however, revealed that unregistered COs and COs who had neither renewed their registration nor submitted the monthly returns were still (October 2009) operating in the municipal area and no stringent action was taken by the Municipality against them. Thus, the statement of LAD before the PAC that there was no CO without permit was factually incorrect.

The failure of the ETO of the Municipality to enforce the provisions of the Act and rules had resulted in non-levy of entertainment tax of ₹ 1.08 crore⁸ for the undeclared connections from April 2006 to March 2010.

The matter was referred to the Government in July 2010. Reply had not been received (November 2010).

2.5 General

2.5.1 Follow-up action on earlier Audit Reports

The Committee on Public Accounts (PAC) prescribed a time limit of three months for the departments for furnishing replies to audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them and submission of Action Taken Notes on the recommendations of the PAC by the Departments. The pendency position of paragraphs/recommendations for which replies/ Action Taken Notes had not been received was as follows:

- (a) Out of 63 paragraphs/reviews included in the Audit Reports relating to 2004-05, 2005-06, 2006-07, 2007-08 and 2008-09, departmental replies were not received for 54 paragraphs/reviews as of September 2010.
- (b) Government departments had not taken any action as of September 2010 on 198 recommendations made by the PAC in respect of Audit Reports of 1977-78 to 2001-02 as detailed in **Appendix 2.1**.

⁸ 22,416 X ₹ 100 per month X 48 months (from April 2006) X 10 per cent

CHAPTER III

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

3.1 Audit of Karaikal District

Highlights

Karaikal district in the Union Territory of Puducherry was formed in May 2005. The district comprises two revenue taluks. A review of the significant socio-economic developmental activities carried out in the district revealed deficiencies in planning, financial management and implementation of socio-economic schemes. Some of the important audit findings are as under:

- **The District Planning Committee, which was responsible for consolidating the Plans prepared by the local bodies in the district, was not constituted as the committee members had not been elected.**

(Paragraph 3.1.6.2)

- **The District Rural Development Agency, which was responsible for planning and coordinating with other agencies in implementation of schemes and enabling the rural community to participate in the decision-making process, had not been set up, even though the district was formed in 2005.**

(Paragraph 3.1.6.3)

- **Drawal of funds, earmarked for implementation of the various Plan schemes of the Animal Husbandry Department, far in advance of requirements and parking the same in bank accounts facilitated misappropriation of cash of ₹ 41.57 lakh.**

(Paragraph 3.1.7.2(iii))

- **For grants-in-aid released by Government up to March 2009, utilisation certificates for 788 items were not furnished (September 2010) by the grantees in the district for an aggregate amount of ₹ 62.77 crore.**

(Paragraph 3.1.7.6)

- **Inpatient services and 24 hour delivery and emergency services were not available in three out of the 11 Primary Health Centres in the district.**

(Paragraph 3.1.8.1)

- **Basic amenities such as permanent classroom buildings, urinals, lavatories, compound walls, playgrounds, etc were not available in a majority of the Government primary schools in the district.**

(Paragraph 3.1.8.2)

- **Due to slow progress in construction of a fishing harbour at Karaikal, berthing facilities to mechanized boats of Karaikal fishermen could not be provided even after five years from the date of sanction.**

(Paragraph 3.1.9.3)

- **There was a 99/100 *per cent* shortfall in providing legally guaranteed 100 days' wage employment to registered households under the National Rural Employment Guarantee Act.**

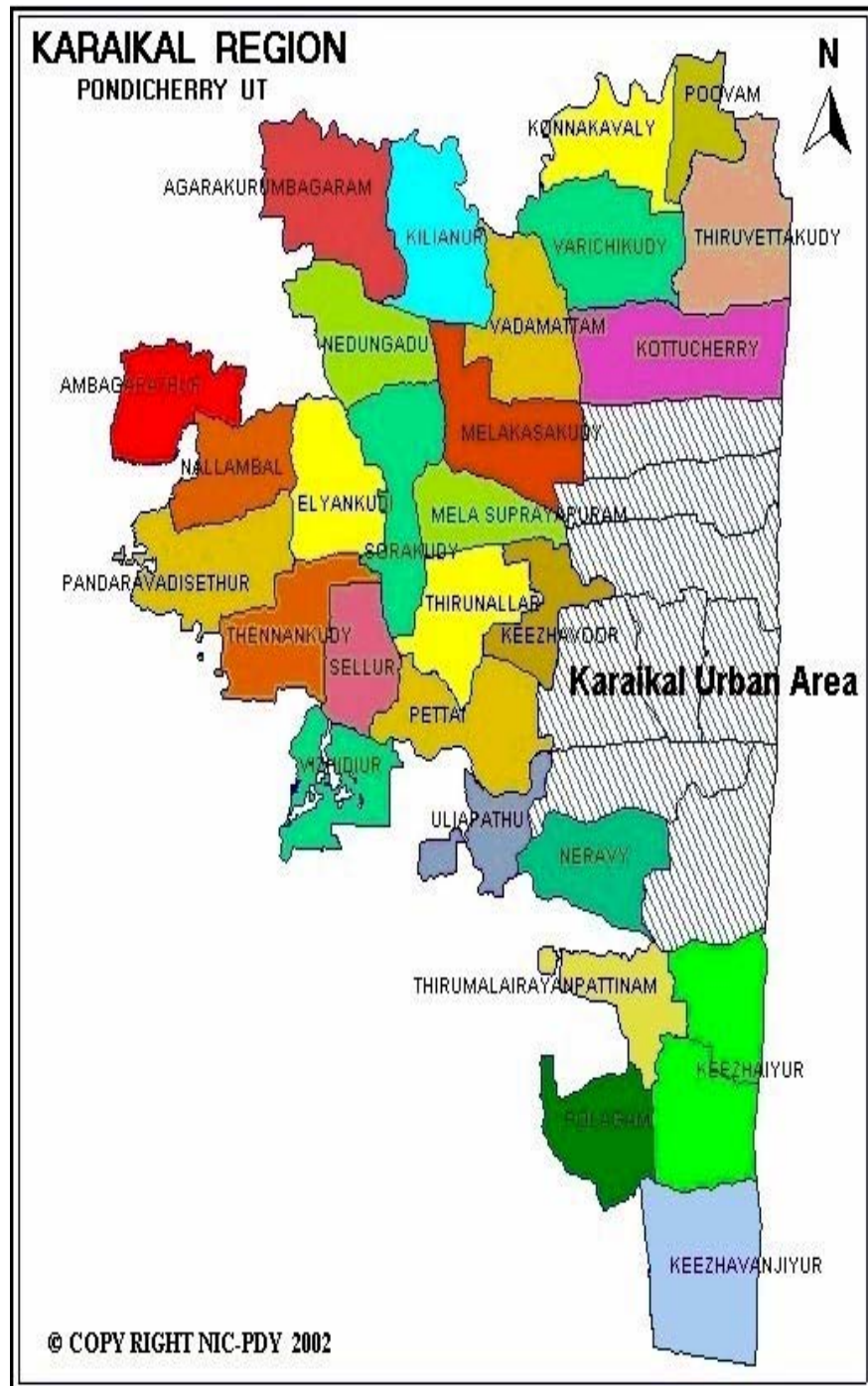
(Paragraph 3.1.9.5)

- **Provisions of the Municipal Solid Waste (Management and Handling) Rules, 2000 relating to collection, storage, segregation, transportation and processing of solid waste were not complied with by the Karaikal Municipality.**

(Paragraph 3.1.10.1)

3.1.1 Introduction

The Union Territory of Puducherry (UT) comprises four regions, viz. Puducherry, Karaikal, Mahe and Yanam, lying geographically isolated from one another. All the four regions of the UT are under one district viz., Puducherry. The Karaikal region was declared as a separate district in May 2005. Karaikal district is surrounded by the Nagapattinam District of Tamil Nadu. The district has an area of 161 sq.km. (35 *per cent* of the UT area). As per the 2001 census, Karaikal had a total population of 1,70,640 which constituted 18 *per cent* of the total population of the UT. The rural population of the district was 96,307.



3.1.2 Organisational set up

The Development Commissioner, who is also the Principal Secretary to Government (Finance) is in charge of the Department of Revenue and Disaster Management. Earlier the Regional Administrator was the administrative head of the district and the post was upgraded as District Collector (DC) after formation of the district. Programmes and schemes in the district are implemented by the district level units of various departments which are under the direct control of the concerned directorates at Puducherry. The implementation of various programmes is monitored locally by the DC and at the UT level by the Development Commissioner.

3.1.3 Audit objectives

The objectives of Audit were to assess whether:

- the annual planning process for different programmes was adequate;
- funds allocated in the budget under Plan schemes were properly utilised;
- various schemes were implemented effectively by departments; and
- proper monitoring of implementation of schemes was in place.

3.1.4 Audit criteria

The criteria adopted in conducting the audit were:

- Five Year and Annual Plans and Karaikal District Plans.
- General Financial Rules, 2005 and Receipt and Payment Rules, 1983.
- Scheme guidelines and instructions issued by Government of India and UT Government from time to time.

3.1.5 Scope of audit and audit methodology

Audit was conducted from April to August 2010 in the District Collectorate and district level offices of 11¹ departments selected on the random sampling method, besides the Block Development Office, Karaikal, local bodies² and the District Rural Development Agency (DRDA), Puducherry.

¹ Agriculture, Adi Dravidar Welfare, Animal Husbandry, Education, Fisheries, Health and Family Welfare, Home, Revenue, Social Welfare, Town and Country Planning and Women and Child Development

² Karaikal Municipality and Kottucherry, Nedungadu, Neravy, Thirunallar and T.R.Pattinam Commune Panchayats

Records relating to implementation of schemes under social and economic sectors during the period 2005-10 were test-checked in audit. Audit objectives and criteria were discussed with the Development Commissioner and the District Collector in entry conferences held separately in March and April 2010. Audit findings were discussed with the District Collector and the Development Commissioner in exit conferences held in October and November 2010 and their replies have been included in the report at appropriate places.

Audit findings

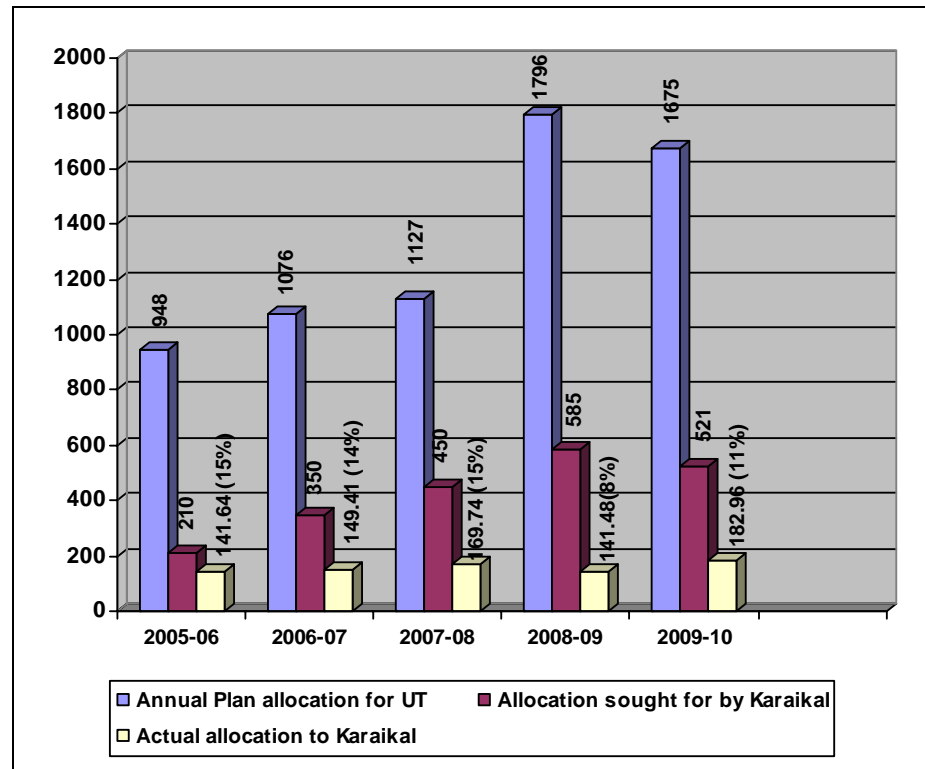
3.1.6 Planning and community participation

3.1.6.1 Annual Plans

Details of Annual Plan outlays for the UT, allocations sought by Karaikal District and Plan funds allocated to the district by the Government for the period from 2005-06 to 2009-10 are given in **Chart-1**.

Chart:1 Details of plan fund allocation to Karaikal

(₹ in crore)



Source: Regional Unit of Planning and Research Department, Karaikal

The district Draft Eleventh Five Year Plan document prepared by the Planning and Research wing at Karaikal had sought for not less than 25 per cent of the total Plan allocation of the Union Territory as the district constitutes 35 per cent of the UT by area and 18 per cent by population. The UT Plan document envisaged that funds would be allocated to various

regions in proportion to their population. However, the Annual Plan allocations for Karaikal district during the period 2007-10 were short by three to 10 *per cent* when compared to the population percentage (18 *per cent*). To an audit query, the Director, Planning and Research Department, replied (July 2010) that sectoral allocations were made to implementing departments on the basis of population of the district and also in keeping with regional needs. The reply was not acceptable as the Plan allocation to the District was even less than the percentage of population (18 *per cent*) during 2005-10.

3.1.6.2 District Plans

**District Planning
Committee was not
constituted**

Article 243 ZD of the Constitution of India provides for constitution of a District Planning Committee (DPC) to consolidate the Plans prepared by the panchayats and the municipalities in the district and to prepare a draft district Plan. Government notified (October 2007) the Pondicherry District Planning Committee (Election of Members to the District Planning Committee) Rules, 2007. The DPC was required to prepare a draft development Plan before 30 September of every year for the next financial year. Members of the DPC were to be elected from the members of the councils of local bodies. Since the post of State Election Commissioner, who was to conduct the election, was vacant from February 2007, the members of the Committee could not be elected and the DPC was not constituted (October 2010).

In the absence of the DPC, the district level unit of the Planning and Research Department called for proposals from district level officers and instructed them to send the proposals to their directorates at Puducherry for finalization of the Annual Plans for the period 2005-06 to 2009-10. The Plans were scrutinized by the concerned directorates at Puducherry and the schemes and proposals were prioritised taking into consideration the needs and requirements of the district and included in the Plan and submitted to the Planning and Research Department for approval. Thus, the grass root level participative process in preparation of development plans for the district was not in place.

Even though it was contemplated in the Eleventh Five Year Plan (2007-12) and Annual Plan document for 2007-08 that Annual Plans from the year 2008-09 would be processed through the DPC, it was noticed that the subsequent Annual Plans were also not formulated as envisaged.

During the exit conference, the Development Commissioner instructed (November 2010) the District Collector to convene meetings of representatives of local bodies for formulation of Plans for the district.

Even though the district was formed in 2005, DRDA was not formed

3.1.6.3 District Rural Development Agency

As per the guidelines of the Ministry of Rural Development, GOI, each district was to have its own District Rural Development Agency (DRDA) registered under the Societies Registration Act under the chairmanship of the District Collector. The DRDA is an important organ at the district level to oversee the implementation of various developmental programmes. It is responsible for planning of programmes, coordinating with other agencies for successful implementation of the programmes, enabling the community including the rural poor to participate in the decision making process and reporting to the concerned authorities and GOI at prescribed intervals. Even though the district was formed in May 2005, a separate DRDA for the district was not established. In the absence of a DRDA, the rural development and poverty alleviation schemes were continued to be implemented in the district by the DRDA, Puducherry through the Block Development Officer at Karaikal. As a result, delays ranging from two to 17 months during 2005-09 in release of funds to BDO, Karaikal for the Indira Awaas Yojana and Sampoorna Grameen Rozgar Yojana were noticed in the transfer of funds to Karaikal. The District Collector stated (April 2010) that action had already been initiated to obtain permission of the UT Government to establish a separate DRDA for Karaikal. During the exit conference, the Development Commissioner stated (November 2010) that the DRDA for Karaikal would be formed at the earliest.

3.1.7 Financial Management

Funds are allocated to the district through the UT budget for various developmental activities. In addition, funds are directly released to district level implementing agencies by GOI for implementation of Centrally sponsored schemes. The Deputy Director of Accounts and Treasuries (DDAT), Karaikal is responsible for compiling the accounts except Public Works accounts, which are submitted directly by Public Works Divisions to the Director of Accounts and Treasuries at Puducherry for compilation.

3.1.7.1 Receipts and Expenditure

The details of revenue receipts and expenditure of the district for the period from 2005-10 were as in **Table: 2**

Table:2 – Details of receipts and expenditure of Karaikal District

(₹ in crore)

Year	Revenue receipts (Tax and non-tax)	Expenditure		
		Revenue	Capital	Total
2005-06	36.23	285.56	23.37	308.93
2006-07	46.16	301.35	40.37	341.72
2007-08	54.55	336.90	38.40	375.30
2008-09	63.80	338.91	37.58	376.49
2009-10	74.45	407.95	43.96	451.91
Total	275.19	1,670.67	183.68	1,854.35

Source: Accounts compiled by Deputy Director of Accounts and Treasuries and Public Works Divisions in Karaikal

It may be seen from the table that revenue expenditure had increased from ₹ 301 crore in 2006-07 to ₹ 408 crore in 2009-10 (36 per cent) whereas the capital expenditure had increased from ₹ 40 crore in 2006-07 to ₹ 44 crore in 2009-10 (10 per cent), indicating the low priority given by the Government for asset creation.

In respect of direct transfer of funds by GOI to implementing agencies in the district, the details of funds received and expenditure incurred were not available with the District Administration as well as in the Finance Department and the implementing agencies furnished utilisation certificates directly to the Ministries concerned. The details of funds received and expenditure incurred as furnished by the implementing agencies in the district under the control of test-checked departments during 2005-10 are given in **Table: 3**.

Table:3 – Details of direct transfer of funds and expenditure

(₹ in lakh)

Department	Scheme	Receipt	Expenditure
Health	National Rural Health Mission	274.54	205.84
	Strengthening of emergency facilities of hospitals located on NH	146.50	116.19
Rural Development (DRDA)	MP Local Area Development	246.15	211.94
	Indira Awaas Yojana	25.00	25.00
	National Rural Employment Guarantee Act*	427.51	437.49
	PM Employment Guarantee Programme	4.03	4.03
	Sampoorna Gramin Rozgar Yojana	92.40	92.40
	Swarnajayanthi Gram Swarozgar Yojana	60.80	60.58
	Total Sanitation Campaign*	7.00	8.11
Social Welfare	District Disability Rehabilitation Centre	6.07	2.90
Education	Sarva Shiksha Abhiyan	461.58	430.48
Revenue and Disaster Management	Disaster Management Programme	11.00	11.00
Total		1,737.58	1,605.96

* In addition to the funds received from GOI, the agency had opening balance and received interest on bank deposits.

Audit findings on implementation of some of the above-mentioned schemes were discussed in paragraphs 3.1.8.1, 3.1.8.4 and 3.1.9.5.

3.1.7.2 Drawal of funds far in advance of requirements

As per Rule 100(2) of the Receipts and Payments Rules 1983, no money should be drawn from the Government account unless it is required for immediate disbursement. Further, it is not permissible to draw money from the Government account in anticipation of demands or to prevent the lapse of budget grants. Audit findings on non-compliance of the rule are discussed below:

(i) The Deputy Director of Fisheries and Fishermen Welfare, Karaikal withdrew (April 2005 to February 2008) ₹ seven crore from the Government account for payment of compensation to landowners for acquisition of land for construction of houses for tsunami-affected fishermen families and paid the amount to the Deputy Collector (Revenue). The amount was kept in a savings bank account maintained by the Deputy Collector. Out of ₹ seven³ crore deposited, ₹ 3.97 crore was lying (July 2010) in the bank account of the Deputy Collector for more than three years. In reply, it was stated (September 2010) that the amount had been kept in the account to meet payment of enhanced compensation to landowners, if any, in future. The reply is not acceptable as budget provisions could be made for such liabilities and paid as and when the need arose. During the exit conference, the Development Commissioner instructed (November 2010) the District Collector to remit the amount into the Government account.

(ii) For construction of a multi-speciality hospital in Karaikal, an allocation of ₹ 24 crore was made in the budget under the health sector for the year 2007-08. Accordingly, the Government sanctioned (March 2008) ₹ 24 crore under the scheme 'Tsunami Reconstruction Programme'. Rupees 6.66 crore was deposited with the Deputy Collector, Karaikal towards payment of compensation to the owners of the land identified for acquisition. The balance amount of ₹ 17.34 crore, meant for construction, was withdrawn on 28 March 2008 and credited to the deposit head (Deposits of local funds) under the Public Account by book transfer. As the lands were not acquired and it was not possible to establish a multi-speciality hospital with the unspent balance available, it was decided in a High Level Committee meeting (September 2008) chaired by the Chief Minister to take up new works and to settle the pending bills of tsunami works in Karaikal with the unspent amount. Rupees 16 crore was withdrawn (February 2009) from the public account and provided through the budget for other tsunami works in Karaikal District. As the identified lands were not acquired (September 2010) the compensation amount of ₹ 6.66 crore was lying in the savings bank account of the Deputy Collector and ₹ 1.34 crore was still lying in the Public Account (October 2010).

Funds were drawn far in advance of requirements and parked in bank account

(iii) The Animal Husbandry Department implemented plan schemes such as distribution of milch animals and goat units, construction of cattle sheds, poultry units, etc at subsidised cost to beneficiaries to be identified as per the scheme guidelines. It was noticed in audit that before identification of the beneficiaries for the schemes, the Joint Director of Animal Husbandry (JD) withdrew funds from Government account as advances and kept in the cash chest or deposited in a bank account opened (June 2007) in his official capacity. During the period 2005-09, the JD had drawn 123 advances for ₹ 4.67 crore from the funds provided for the schemes. During a surprise check (March 2009) of records by the officials of the Directorate of Animal Husbandry it was found that the JD had not rendered accounts for the advances and the number of unadjusted advances was on the rise. Based on the findings of the surprise check, the Secretary to Government directed

3 ₹ three crore in April 2005, ₹ three crore in November 2006 and ₹ one crore in January 2008

(24 March 2009) the department to lodge a police complaint at Karaikal. The matter was referred to the Department of Vigilance and Anti Corruption and a police complaint was lodged on 31 March 2009, the date on which the JD was due to retire. The FIR copy was received on 2 April 2009 and investigation by the police was in progress. Thus, the department had failed to initiate disciplinary action against the JD before retirement. As per the orders of the Director of Animal Husbandry, department officials from Puducherry scrutinised (May 2009) the connected records and found that ₹ 41.57 lakh out of the advances were misappropriated by the then JD. Thus, drawal of funds earmarked for implementation of schemes far in advance of requirements and keeping the same in a bank account facilitated the misappropriation. Even after the detection of the misappropriation, the irregular procedure of drawal of funds in advance and keeping them in bank account continued.

3.1.7.3 Non-utilisation of tsunami grants-in-aid

Under the scheme 'Financial Assistance to Municipalities/Commune Panchayats for creation of infrastructural facilities in tsunami affected areas', grants-in-aid of ₹ 56 lakh each to Karaikal Municipality and Kottucherry Commune Panchayat were released (March 2006) for construction of one community hall in each local body. As instructed by the Government, the local bodies deposited (April 2006) the amounts with the Project Implementation Agency (PIA) to execute the works. It was noticed that the PIA had already constructed the community halls out of the Member of Parliament Local Area Development scheme funds and kept ₹ 1.12 crore unutilised for more than four years (September 2010). The PIA stated that the amount would be refunded on receipt of orders from the Government (March 2010). The fact, however, remained that the PIA retained the funds outside Government account for a long period.

3.1.7.4 Payment of cash compensation to farmers

During the period from December 2005 to July 2008, the Government sanctioned ₹ 6.42 crore (Non-Plan : ₹ 4.54 crore and Plan : ₹ 1.98 crore) for payment of cash compensation to farmers affected by rain/cyclone. The Additional Director of Agriculture, Karaikal drew the funds⁴ and deposited the amount in a bank account for making payments. Out of the amount, cash compensation of ₹ 5.99 crore was paid (February, March 2006 and February 2008 to July 2009) to 23,623 farmers whose crops were damaged in the heavy rains. The ADA remitted ₹ 18 lakh⁵ out of the unspent amount and the remaining ₹ 27 lakh including accrued interest was not remitted (October 2010) into Government Account.

It was further noticed in audit that ₹ 1.80 crore out of ₹ 1.98 crore Plan funds, meant for meeting developmental expenditure, was diverted (July 2008) by Government for disbursing cash compensation to farmers.

⁴ ₹ 2.58 crore in 2005-06, ₹ 0.66 crore in 2007-08 and ₹ 3.18 crore in 2008-09

⁵ ₹ 6 lakh in July 2010 and ₹ 12 lakh in October 2010

3.1.7.5 Pending advances

As per Rule 292 (2) of the General Financial Rules, adjustment bills for advances drawn should be submitted by the Drawing and Disbursing Officers (DDOs) along with vouchers for disbursement made and challans for remittance of unspent advances, if any, within 15 days of the drawal of advances. In Karaikal District, the advances pending adjustment by 56 DDOs as on 1 October 2010 was ₹ 17.29 crore.

The age-wise pendency in adjustment of advances is summarised in **Table 4**.

Table:4: Age-wise pendency in adjustment of advance

Sl No	Pendency in number of years	Number of Advances pending	Amount (₹ in Crore)
1	0-1	133	7.57
2	1-2	49	6.72
3	2-3	14	1.50
4	3-4	18	0.60
5	4-5	17	0.75
6	Above 5	14	0.15
Total		245	17.29

Source: Deputy Director of Accounts and Treasuries, Karaikal

Out of ₹ 17.29 crore adjustment advances for ₹ 5.76 crore, ₹ 2.09 crore and ₹ 1.86 crore were pending adjustment by the DDOs of Agriculture and Animal Husbandry departments and the Block Development Officer respectively. The pendency indicated the laxity on the part of the departmental officers in submitting adjustment bills.

Review of four out of 14 items pending adjustment for more than five years revealed the following:

(i) Three items for ₹ 2.14 lakh were pending adjustment by the Junior Town Planner, Karaikal due to non-receipt of challans for remittance of unutilised advances made by the officials in Puducherry.

(ii) As against an advance of ₹ 10 lakh paid (March 1996) to the Pondicherry Tourism & Transport Corporation (PTTC) to beautify and improve the beach at Karaikal, PTTC spent only ₹ four lakh on the work and the unspent advance of ₹ six lakh was not refunded to Government.

3.1.7.6 Pending Utilisation Certificates

Rule 212(1) of the General Financial Rules stipulates that for grants released during a year for specific purposes, utilisation certificates (UCs) should be obtained by departmental officers from the grantees within 12 months of the closure of the financial year. In Karaikal District, for the grants paid up to

March 2009, UCs for 788 items were not furnished (September 2010) by the grantees for an aggregate amount of ₹ 62.77 crore.

The age-wise pendency in submission of UCs is summarised in **Table 5**.

Table: 5 – Age-wise pendency in submission of UCs

Sl No	Pendency in number of years	Number of UCs	Amount (₹ in crore)
1	0-1	326	20.71
2	1-2	160	6.37
3	2-3	165	13.88
4	3-4	34	8.27
5	Above 4	103	13.54
Total		788	62.77

Source: Deputy Director of Accounts and Treasuries, Karaikal

UCs for 696 items amounting to ₹ 42.96 crore were pending from local bodies and the remaining items were pending from six departments. Non-receipt of UCs for huge amounts indicated that the DDOs of seven departments⁶ failed to monitor the adherence to the terms and conditions governing the release of grants by the grantee institutions as well as implementation of the schemes.

3.1.8 Social Services

A review of implementation of schemes under health, education, housing and water supply and sanitation sectors revealed deficiencies in providing proper infrastructure and adequate manpower to achieve the intended objectives of providing health care, education, water supply and basic amenities to the people of the District as may be seen from the audit findings discussed below:

3.1.8.1 Health

The Medical Superintendent of the Government General Hospital, Karaikal and the Deputy Director (Immunisation) are responsible for providing health care services in urban and rural areas of the district respectively. The health care services are delivered through one hospital, one Community Health Centre (CHC), 11 Primary Health Centres, (PHC) and 17 Sub-Centres (SC).

- **National Rural Health Mission**

Government of India launched (April 2005) the National Rural Health Mission (NRHM) throughout the country for providing accessible, affordable, effective and reliable health care facilities in rural areas.

⁶ Town & Country Planning, Adi Dravidar Welfare, Agriculture, Animal Husbandry, Co-operation, Local Administration and Fisheries

A performance audit on implementation of NRHM in the UT was included in Para 1.1 of the Report of the Comptroller and Auditor General of India, for the year ended 31 March 2009. Comments on non-preparation of Perspective Plan and Village Health Plans, lack of infrastructure in health centres, non-availability of basic health care services, inadequate man power, decline in the number of deliveries in health centres, etc., were included in the Report. The status of implementation of NRHM in Karaikal district as of March 2010 was updated and the deficiencies noticed in infrastructure, manpower and provision of health care services are discussed below.

(i) *Infrastructure*

Indian Public Health Standards (IPHS) prescribed population norms for establishment of SC, PHC and CHC as one for 5,000, one for 30,000 and one for 1,20,000 respectively. By applying the norms prescribed for providing health centres based on rural population (96,307), the district should have 20 SCs, five PHCs and one CHC. However the district had 17 SCs, 11 PHCs and one CHC to cater to the needs of rural people.

As per norms, each CHC/PHC should have a waiting room for patients, operation theatre, labour room, emergency/casualty room, clinic room, residential facilities for staff and separate utility for male and female. It was noticed that waiting room for patients was not available and the operation theatre of the CHC was not functioning from June 2007 as it required renovation. Number of PHCs which lacked basic infrastructure is given in **Table 6**.

Table – 6: Details of PHCs where infrastructure was not available

Sl.No.	Infrastructure required	Number of PHCs where infrastructure was not available
1	Operation theatre	8
2	Emergency/Casualty Room	5
3	Residential facilities for staff	3
4	Waiting room for patients	2
5	Separate utility for Male and Female	2

Source: Data furnished by PHCs

(ii) *Basic health care services*

As per IPHS each CHC/PHC was required to provide basic health care services such as inpatient, 24 hours emergency and delivery and diagnostic services. It was noticed that child health care, family planning (tubectomy and vasectomy), ultra-sound scan and blood storage facilities were not available in the CHC. Number of PHCs in which basic health care services were not available is given in the **Table 7**.

Table – 7: Details of non-availability of basic health care services

Inpatient services and twenty-four hour delivery emergency services were not available in three PHCs.

Sl.No.	Basic health care service	PHCs where service was not available
1	Family Planning (Tubectomy and Vasectomy) and Ultra sound	11
2	Pediatrics	10
3	X-rays and ECG	9
4	New born care	8
5	Intra-natal examination of gynaecological conditions	4
6	Inpatient services and 24 x 7 deliveries/emergency services	3
7	Obstetric care	2

Source: Data furnished by PHCs

Even though the NRHM was implemented in the district from the year 2005, the basic infrastructure and health care services were not provided despite availability of sufficient funds under NRHM.

(iii) *Manpower Resources*

NRHM aimed at providing adequate medical and para medical staff at all health centres as per the IPHS. Scrutiny of records of CHC, Thirunallar revealed that one post each of General Surgeon, Anesthetist, Obstetrician and Gynaecologist, and Eye Surgeon were not sanctioned. Thus due to non availability of specialized man power, the bed occupancy rate in the CHC was poor and it declined from 8.62 in 2006-07 to 4.65 in 2009-10 as against the bed strength of 30.

Details of shortage of manpower noticed in three out of 11 PHCs are given in the **Table 8**.

Table - 8: Details of shortage of manpower

Name of PHC	Medical officer			Staff nurse			Lab technician			Lady Health Visitor / Assistant		
	R	S	F	R	S	F	R	S	F	R	S	F
Kovilpathu	2	1	1	2	1	1	1	1	1	1	1	1
Nallathur	2	1	1	2	1	1	1	1	1	1	1	Nil
Nallambal	2	1	1	2	1	1	1	1	Nil	1	1	Nil

R: Required; S: Sanctioned; F: Filled in

Even though NRHM contemplated appointment of medical and para medical staff on contract basis, the required man power was not provided in the above three PHCs.

(iv) *Achievement against performance indicators*

Performance indicators quantifying the targets for reducing infant mortality rate (IMR), maternal mortality rate (MMR) and total fertility rate (TFR) fixed for the UT and achievement in respect of Karaikal district are given in **Table 9**.

Table: 9 Details of achievement in performance indicators

Indicator	Target for UT 2010-11		Achievement in Karaikal				
			2005-06	2006-07	2007-08	2008-09	2009-10
MMR	10/10000	live births	41	38	39	36	25
IMR	16/1000	live births	10	10	13	14	9

Source: Records of Deputy Director (Immunisation), Karaikal

The district fared well in the reduction of IMR. Even though the district could reduce MMR from 41 in 2005-06 to 25 in 2009-10, it was not able to achieve the target of 10/10000 live births for 2010-11. The data regarding total fertility rate of the district was not available with the Health Department.

(v) *Janani Suraksha Yojana*

Janani Suraksha Yojana is one of the important components of the Reproductive and Child Health (RCH) programme to encourage pregnant women to have institutional delivery rather than domiciliary delivery in order to reduce maternal and neo-natal mortality. Under this programme, all the pregnant women belonging to the SC, ST and BPL categories above 19 years of age, are entitled to mothers' package of ₹ 700 in rural areas and ₹ 600 in urban areas for institutional delivery up to two live births.

- *Institutional Deliveries*

The details of institutional deliveries in the District are given in **Table – 10**.

Table :10: Details of institutional deliveries

Year	Institutional deliveries in				Percentage of deliveries in CHC and PHCs
	District Hospital	CHC and PHCs	Others	Total	
2005-06	3,297	275	1,594	5,166	5
2006-07	3,664	282	1,580	5,526	5
2007-08	3,493	215	1,816	5,414	4
2008-09	3,311	107	1,577	4,995	2
2009-10	3,333	81	1,278	4,692	2

Source: Data furnished by Health Department

Out of the total institutional deliveries during 2005-10 in the district, the percentage of deliveries in CHC and PHCs ranged between two and five only, indicating that the pregnant mothers preferred deliveries at District Hospital or in private hospitals in view of lack of basic infrastructure, man power and health care services in CHC and PHCs as discussed in sub paragraphs (i), (ii) and (iii).

- *Extension of cash assistance to ineligible mothers*

Under the scheme of providing cash assistance to mothers, ₹ 18.11 lakh was reported as distributed to 2,934 beneficiaries during the period 2005-10.

The category-wise details of cash assistance provided during 2005-09 were not maintained by the CHC/PHCs. In absence of the details, the possibility of extension of cash assistance to ineligible mothers could not be ruled out. It was noticed in audit that cash assistance of ₹ 0.61 lakh was extended to ineligible mothers belonging to APL categories in 2009-10.

- *Non-maintenance of data base on pregnant women*

With a view to monitor ante-natal care check ups, institutional deliveries, post natal care and immunisation of children, GOI instructed (November 2009) UT to maintain the above data in digital format in respect of pregnant women and children born since April 2009. The data base was still not created. To an audit query, the Deputy Director (Immunisation) stated (November 2010) that on receipt of computers, the data base would be created in digital format.

(vi) *Ante-natal care*

Pregnant women are required to have a minimum of three ante-natal check ups. Scrutiny revealed that the percentage of pregnant women in the district who had received three antenatal check ups (ANCs) during 2005-10 ranged between 83 and 98 per cent as of March 2010.

(vii) *National Vector Borne Disease Control Programme*

The National Vector Borne Disease Control Programme (NVBDCP) aims at controlling vector borne diseases by reducing mortality and morbidity due to malaria, filaria, dengue, chikungunya etc., in endemic areas through close surveillance, controlling breeding of mosquito and fly by spraying larvicides and insecticides and improving diagnostic and treatment facilities at health centres.

Details of blood smear collected and tested, annual blood examination rate (ABER) and annual parasitic incidence (API) in the district are given in **Table 11**.

Table 11: Prevalence of Malaria in Karaikal

Year	Population (in lakh)	Blood smears collected (BSC) and tested	Malaria positive (MP) cases	ABER ⁷	API ⁸
2005	1.82	59,060	7	32.45	0.04
2006	1.85	43,480	17	23.50	0.09
2007	1.88	16,505	12	8.78	0.06
2008	1.91	16,950	38	8.87	0.20
2009	1.94	16,223	18	8.36	0.09

Source: Data furnished by Health Department

⁷ ABER = BSC/Population x 100

⁸ API = MP/Population x 1000

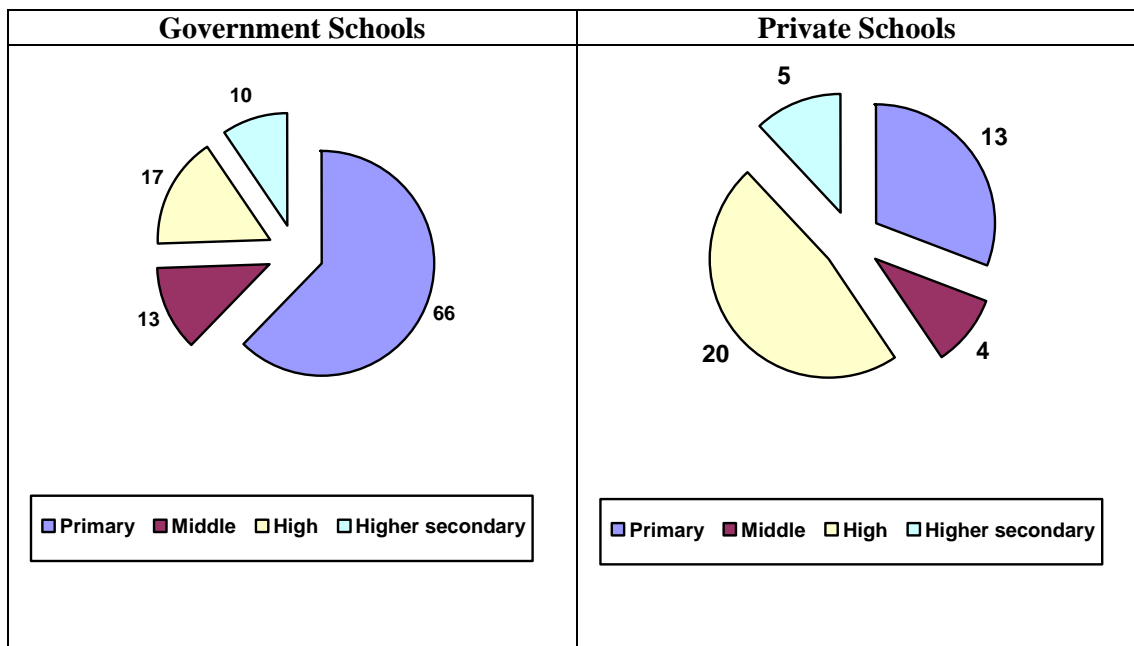
No annual targets were fixed for collection and testing of blood smears. It was noticed in audit that the number of blood smears collected declined from 59,060 (32.45 per cent) in 2005 to 16,223 (8.36 per cent) in 2009 whereas the number of malaria positive cases were on the rise from seven to 38 during the period indicating higher incidence of malaria.

3.1.8.2 School Education

Education is one of the most important indicators of social progress of a nation. Both the UT and the Central Governments have been spending large amounts on increasing the enrolment and retention of children in schools, especially in the primary and elementary segments. The Sarva Shiksha Abhiyan (SSA) is one of the flagship programmes of the Government for universalisation of primary education.

The district had 148 schools⁹ under Government (106 schools) and private (42 schools) sectors as of 2008-09 as given in **Chart – 2**.

Chart – 2: Details of Government and Private Schools in Karaikal



• **Enrolment in Government schools**

As per Government of India norms prescribed in the guidelines of SSA in regard to access to schools, every habitation should have a primary school within a distance of one kilometre and upper primary school within three kilometres.

⁹ Primary school has classes from one to five, middle school has classes from one to eight and secondary school has classes from one to 10 and higher secondary school has classes from one to 12 or from six to 12.

There are 125 habitations in the district and all the habitations were provided with primary and upper primary schools. It was noticed that 25 out of 66 primary and seven out of 13 middle schools were within a distance ranging from 100 metres to 1,000 metres. As a result, both primary and middle schools were functioning in the same areas and it was noticed in audit that the enrolment of students was very poor in these schools. Out of the 25 primary schools which were functioning within a distance of one kilometre, the total student strength was 50 or less in 15 schools and it was between 51 to 100 in seven schools. It was further noticed that the total student strength was below 20 in six primary schools resulting in higher teacher student ratio of 1:17 as against the national ratio of 1:40 and the UT ratio of 1:22. The names of schools are given in **Appendix-3.1**.

It was further noticed in audit that the number of students enrolled in Government schools had declined from 24,539 in 2005-06 to 23,508 in 2008-09 whereas the enrolment in private schools increased from 13,422 to 16,396. The decline in enrolment in Government schools could be due to lack of infrastructure and basic amenities as discussed in the subsequent paragraph.

- **Infrastructure and basic amenities**

Each school is required to have basic amenities such as adequate reinforced cement concrete roofed classrooms, water supply, urinals, lavatories, power supply, compound wall and play ground. The details of Government schools which lacked these amenities as of October 2010 are given in **Table 12**:

Table 12: Details of Government schools which lacked basic amenities

School	No. of schools	Classrooms in temporary sheds		Lack of facilities				
		Schools	Class rooms	Urinals	Lavatory	Electricity	Compound wall	Play ground
Primary	66	11	17	13	19	2	26	30
Middle	13	6	22	1	1	0	2	8
High	17	3	16	4	0	0	1	3
Hr. Sec.	10	4	16	0	0	0	0	1
Total	106	24	71	18	20	2	29	42

Source: Data furnished by schools in the district

Basic amenities were not available in a majority of the Government primary schools

It may be seen from the above table that basic amenities such as permanent classroom buildings, urinals, lavatories, compound walls, playgrounds, etc were not available in a majority of the Government primary schools where boys and girls under the age of 10 years were studying.



- ***Dilapidated buildings***

The number of undismantled dilapidated buildings in the Government school campuses was as follows:

Sl. No.	School	No. of schools	No. of buildings
1	Primary	17	18
2	Middle	5	7
3	High	8	18
4	Higher Secondary	2	4
	Total	32	47



These old buildings posed potential threats to the lives of children studying in the schools.

- ***Board results***

The data on performance of students in Board examinations conducted during 2005-06 to 2009-10 in respect of Government as well as private schools in Karaikal is given in **Table 13**.

Table 13: Details of Board results

(Percentage)

Year	Secondary Examination		Higher Secondary Examination	
	Government	Private	Government	Private
2005-06	64	96	74	88
2006-07	69	95	82	87
2007-08	72	97	78	96
2008-09	73	97	80	86
2009-10	77	98	73	95

Source: Chief Educational Officer, Karaikal

It may be seen from the table that the performance of secondary and higher secondary students (pass percentage) of Government Schools was lower than that of private schools in all the years.

3.1.8.3 Housing

Housing is one of the basic requirements and one of the major indicators of economic growth. For a citizen, owning a house provides significant economic security and dignity in society. Village-wise indicators on basic amenities appended to the Eleventh Five Year Plan document showed that out of 24,703 houses in the rural areas, 13,339 houses were thatched as of March 2007. The Plan document stressed that all thatched houses (huts) in the district should be converted into *pucca* houses during the plan period (2007-12).

The following three schemes are implemented by the Adi-Dravidar Welfare Department (ADW), the Block Development Office (BDO) and the Pondicherry Slum Clearance Board (PSCB) in the district for extending housing subsidies to the identified beneficiaries to enable them construct houses.

Implementing agency	Name of scheme	Targeted beneficiaries	Maximum housing subsidy per unit (₹)
ADW	Grant of house construction subsidy	Shelterless SC people	1,00,000 (upto 2008-09) 2,00,000 (from 2009-10)
BDO	Indira Awaas Yojana (IAY)	BPL families in rural areas	1,00,000
PSCB	Perunthalaivar Kamarajar Housing Scheme (PKHS)	Shelterless poor families in urban and rural areas.	1,00,000

The details of beneficiaries and houses constructed under the above schemes during 2005-06 to 2009-10 are given in **Table 14**.

Table:14: Details of number of beneficiaries and houses completed

Year	Number of beneficiaries				Number of houses completed under			
	ADW	IAY	PKHS	Total	ADW	IAY	PKHS	Total
2005-06	163	57	1,355	1,572	75	31	1,126	1,232
2006-07	0	34	1,480	1,537	0	21	1,054	1,075
2007-08	486	15	1,799	2,319	11	8	1,176	1,195
2008-09	416	10	NA	431	98	1	NA	99
2009-10	362	0	NA	362	61	0	NA	61
Total	1,427	116	4,634	6,177	245	61	3,356	3,662

Source: Details furnished by implementing agencies concerned

It may be seen that out of 6,177 beneficiaries for whom subsidy was released, only 3,662 beneficiaries completed construction of houses. The details of the remaining 2,515 beneficiaries, who received subsidy amounting to ₹ 10.97 crore and had not completed (July 2010) the houses are given in **Table – 15**.

Table15: Details of incomplete houses

Year	ADW		BDO		PSCB		Total beneficiaries	Total amount (₹ in crore)
	No. of beneficiaries	Amount (₹ in lakh)	No. of beneficiaries	Amount (₹ in lakh)	No. of beneficiaries	Amount (₹ in lakh)		
2005-06	88	25.10	26	6.35	229	50.25	343	0.82
2006-07	---	---	13	10.65	426	100.50	439	1.11
2007-08	475	233.50	7	4.90	623	330.80	1,105	5.69
2008-09	318	173.70	9	4.60	---	---	327	1.78
2009-10	301	157.10	---	---			301	1.57
Total	1,182	589.40	55	26.50	1,278	481.55	2,515	10.97

Source: Details furnished by ADW, BDO and PSCB

On this being pointed out by audit, the Block Development Officer stated (July 2010) that the beneficiaries belonged to below poverty line category and due to increase in cost of construction materials, the beneficiaries were unable to complete the houses within the estimated costs. The reply is not acceptable as the subsidy under IAY was enhanced from ₹ 50,000 to ₹ one lakh from 2006-07 onwards on par with the subsidy admissible under the schemes implemented by ADW and PSCB and the PSCB could complete 3,356 out of 4,634 houses during 2005-08. The Director of Adi-Dravidar Welfare constituted (June 2009) a monitoring Committee to inspect the houses under construction every month and submit status reports about the beneficiaries who had failed to complete the construction with

solutions to mitigate the hardships faced by them. The Committee had neither visited the houses nor submitted any report so far to the Directorate.

It was noticed that annual targets were not fixed for the housing schemes implemented by ADW and PSCB. In respect of housing schemes implemented by the BDO, the annual targets fixed for the years 2005-09 ranged between 25 and 75 and no target was fixed for the year 2009-10. Out of 13,339 thatched houses at the beginning of the Eleventh Plan period, only 1,355 (10 *per cent*) thatched houses were converted into *pucca* houses during 2007-10, leaving 90 *per cent* to be covered in the next two years.

3.1.8.4 Water Supply and Sanitation

- ***Water Supply***

The Public Works Department (PWD) is responsible for providing drinking water supply to Karaikal town. In the rural areas, water supply schemes, on completion by PWD, were handed over to the Commune Panchayats concerned for operation and further maintenance for which grants-in-aid were released by Government. Water supply was provided to the urban and rural population as per the norms¹⁰ prescribed by the Central Public Health Engineering and Environmental Organisation.

Testing of water samples

In order to ensure supply of safe drinking water to the public, water samples from the supply points in Karaikal town area are collected by PWD for bacteriological analysis in PWD laboratory. Consequent on the outbreak of diarrhoea in Karaikal (July 2005), a water testing laboratory was established (October 2006) in the Government General Hospital by Health Department, for analyzing water samples taken from the rural areas. Primary Health Centres are responsible for collection and analysis of samples and to advise the local bodies concerned for taking remedial action. No targets were fixed for taking water samples by PHCs for analysis and it was noticed that the number of samples tested declined from 380 in 2007-08 to 152 in 2009-10. It was stated by (September 2010) Deputy Director (Immunisation) that due to non-filling up of 21 out of 23 posts of Health Assistants sanctioned for PHCs, less number of water samples were taken for analysis and that targets would be fixed since the vacancies were filled in November 2010.

The details of water samples tested during 2005-10 are given in **Table-16**.

¹⁰ 135 litres per capita daily in urban areas and 70 lpcd in rural areas

Table 16 – Details of water samples tested during 2005-10

Year	Urban area			Rural area		
	No. of samples tested	Samples found unfit for consumption	Percentage of unfit samples	No. of samples tested	Found unfit for consumption	Percentage of unfit samples
2005-06	510	18	4	---	---	---
2006-07	327	21	6	192	54	28
2007-08	207	12	6	380	178	47
2008-09	587	10	2	199	128	64
2009-10	441	42	10	152	96	63
Total	2,072	103		923	456	

Source: Data furnished by the Health Department

The percentage of water samples found bacteriologically unfit for human consumption in respect of rural area ranged between 28 and 64 out of the samples tested. It was further noticed that the number of acute diarrhoea cases treated in District Government Hospital, Karaikal increased from 2,833 in 2006-07 to 5,107 in 2009-10 and supply of unsafe drinking water could be one of the reasons for higher incidence of diarrhoea in Karaikal.

- **Sanitation programmes**

Government of India launched the Total Sanitation Campaign (TSC) in 2001-02. The major components of the scheme were start up activities, information, education and communication (IEC), community sanitary complex, individual household latrines, rural sanitary mart, school sanitation, alternative delivery mechanism and anganwadi toilets. The District Rural Development Agency implements the scheme through Block Development Officer. The quantum of subsidy for construction of individual toilet was enhanced from ₹ 500 to ₹ 1,500 from 2007-08 and to ₹ 2,500 from 2008-09 onwards. The start-up activities included conducting a baseline survey, preparation of a Project Implementation Plan, initial orientation and training of key programme managers at the district level.

The BDO, Karaikal had an unspent balance of ₹ 3.27 lakh (March 2005) and received a sum of ₹ seven lakh in 2005-06. The BDO had incurred a total expenditure of ₹ 8.11 lakh during 2005-10. Under TSC 267¹¹ individual toilets were constructed during 2005-10 and the BDO had an unspent amount of ₹ 2.16 lakh as of March 2010.

In March 2005, the UT Government introduced ‘The Pondicherry Chief Minister’s Sanitation Scheme for Grant of Financial Assistance to Below Poverty Line Families for Construction of Sanitary Latrines’. The Town and

¹¹ 95 in 2005-06, 68 in 2006-07, 48 in 2007-08, 29 in 2008-09 and 27 in 2009-10

Country Planning Department released grants-in-aid to the Pondicherry Slum Clearance Board (PSCB) for implementation of the scheme. As per the scheme guidelines, a BPL family who owned a house and completed the construction in all respects and did not have a sanitary latrine was eligible for a subsidy of ₹ 10,000. The PSCB released the subsidy in two instalments of ₹ 5,000 each.

Out of the grants-in-aid of ₹ 4.30 crore received by PSCB during 2005-08, a total subsidy of ₹ 2.42 crore was released to 2,134 beneficiaries who had completed their toilets (₹ 10,000 each) and 572 had availed only the first instalment of ₹ 5,000 each (October 2010).

In the fifth meeting of the District Vigilance & Monitoring Committee held in February 2009 to monitor the progress of rural development programmes, it was stated that the drop in construction of individual toilets were (i) on account of lesser subsidy than the State Plan scheme implemented (ii) lack of reputed non-Government organisations to undertake baseline survey and information, education and communication activities and (iii) lack of space for the rural poor in their homesteads.

As per the details appended to the Eleventh Five Year Plan document of Karaikal District, individual toilets were available only in 7,991 out of 24,703 rural households. The National Rural Health Mission Document (2005-12) stipulated that the District Health Mission would guide activities of sanitation at the district level and promote joint IEC for public health, sanitation and hygiene, through Village Health & Sanitation Committees and promote household toilets and the school sanitation programme. Though Village Health Sanitation Committees were formed at Sub-centres, PHC level and untied funds of ₹ 10,000 each were released every year, 2,401 individual latrines were constructed under the two schemes during 2005-10. Thus, 14,311 rural households lacked individual toilet facilities.

- ***Testing of food samples***

Food inspectors in the Food and Drug Administration wing are empowered to inspect hotels, shops etc., take samples for analysis and take legal action against the defaulters under the provisions of the Prevention of Food Adulteration Act, 1954. Food samples taken in Karaikal were sent to the Public Health Laboratory, Puducherry for analysis since testing facilities were not available in Karaikal.

Test check of the records of the Food and Drugs Administration wing revealed that no annual target was fixed for taking food samples for analysis. Test analysis reports for 97 samples sent during the period 2005-10 were pending with the Public Health Laboratory, Puducherry for periods ranging between one and four years. Due to the delays of more than the prescribed 40 days for receipt of reports, action against the defaulters

could not be taken. The DC stated (October 2010) that necessary instructions would be issued to fix the targets for taking food samples.

3.1.8.5 Other Welfare Schemes

Schemes for improving the socio-economic status of women, grant of pension to the aged, the destitute and widows were implemented by the Child Development Project Officer (CDPO) of the Women and Child Development Department. For overall development and rehabilitation of the disabled, welfare schemes were being implemented by the Assistant Director of Social Welfare Department. Test check of records maintained by the Women and Child Development and Social Welfare departments revealed the following:

- **Pension schemes**

Financial assistance in the form of pension at ₹ 600 per month per beneficiary was extended to the aged, destitute and widows by the Child Development Project Officer (CDPO). Further financial assistance to the disabled ranging from ₹ 750 to ₹ 1,500 per month per beneficiary based on the percentage of disability was also extended by the Assistant Director of Social Welfare. Fishermen aged 50 years and above who opted to avail of pension from the Fisheries Department were paid pension at ₹ 750 per month through the Deputy Director of Fisheries. A total of 20,539 beneficiaries were covered under the three schemes during 2005-10 and financial assistance of ₹ 16.10 crore was provided to them.

- (i) **Old Age Pension Scheme**

Scheme guidelines stipulate that BPL families whose annual family income from all sources is up to ₹ 24,000 are eligible for pension under the scheme.

Scrutiny of applications for sanction of old age pension revealed that financial assistance was extended to applicants whose annual family income was more than ₹ 24,000 and were issued above poverty line (APL) family ration cards by the Department of Civil Supplies and Consumer Affairs. Field level verification required to be made as per the scheme guidelines were not carried out by the departmental officials before recommending the applications for sanction of financial assistance resulting in inclusion of ineligible beneficiaries. Test check of 679 applications in audit revealed that financial assistance was irregularly extended to (i) 231 persons belonging to APL (ii) five applicants whose annual family income as per the verification reports enclosed was more than ₹ 24,000 (iii) one applicant whose annual family income was ₹ 48,000 as certified by the Revenue Officer.

(ii) *Centrally sponsored pension schemes*

GOI extended financial assistance under the Indira Gandhi National Old Age Pension Scheme for persons aged 65 years and above and belonging to BPL families in November 2007 and the Indira Gandhi National Widow Pension Scheme for widows aged between 40 and 64 years in February 2009, which were to be implemented by the Department of Women and Child Development. It also extended financial assistance under the Indira Gandhi National Disabled Pension Scheme to disabled persons in February 2009. The assistance under the above three schemes was ₹ 200 per month per beneficiary and the list of persons identified was to be cleared by GOI. The UT Government had to ensure that accounts of the beneficiaries were opened either in banks or post offices for availing of the Central assistance directly by transfer of the pension in the beneficiaries' accounts.

The CDPO, Karaikal had identified (2007-09) 9,697 beneficiaries under the schemes for the aged (6,131) and widows (3,566). However, accounts in post offices or banks were not opened (October 2010). In reply, the Director of Women and Child Development stated (October 2010) that once the number of beneficiaries was finalised with GOI, bank accounts would be opened by the beneficiaries for availing of the assistance. As the list of BPL families enumerated as per GOI guidelines was not available with the UT Government, GOI had not approved the list of beneficiaries submitted (October 2009) by the UT. The Social Welfare Department was still to identify the beneficiaries for the pension scheme for the disabled even after 20 months from the date of introduction of the scheme. The reason for delay in implementing the scheme was not furnished by the Department.

• *Supply of free rice to the disabled*

Regular supply of free rice to the disabled was not ensured

Distribution of 15 kg of rice every month free of cost to each of those disabled persons, who were in receipt of financial assistance through Anganwadi Centres was implemented by the Social Welfare Department from April 2002. Test check revealed that free rice was not distributed regularly every month to eligible beneficiaries. During the last five years, rice was not distributed to 2,491 beneficiaries (average per month) for 18 months¹². The department stated that free rice was not distributed to the disabled persons due to insufficient provision of funds in the budget and delays in receipt of sanctions. The DC stated (October 2010) that such lapses would be avoided in future.

¹² 2007-January, December; 2008-January to March, June to August; 2009: January to April, October to December; 2010-January to March

3.1.9 Economic Services

3.1.9.1 Agriculture

Karaikal District has coastal alluvial soil suitable for cultivation of paddy and pulses. Paddy accounted for 61.72 *per cent* of the total cropped area. The Agriculture Department implements Plan schemes for agricultural education, research, extension needs, marketing facilities, etc. Audit findings on test-checked schemes are discussed below:

- ***Decline in cropped area***

The details of classification of land area in Karaikal District for the years 2005-06 to 2008-09 are given in **Table: 17**.

Table: 17 - Classification of land area in Karaikal District

(Area in hectares)

Year	Land put to non agricultural use	Land under miscellaneous tree crops	Culturable waste	Other fallow lands	Current fallow lands	Net area sown	Area sown more than once	Total cropped area
2005-06	4,747	188	2,456	1,584	548	6,489	3,698	10,187
2006-07	4,800	203	2,528	1,457	374	6,650	4,348	10,998
2007-08	4,905	207	2,628	1,293	591	6,388	4,153	10,541
2008-09	5,008	204	2,724	1,180	634	6,262	2,902	9,164

Source: Season and Crop Reports of the Department of Economics and Statistics

It may be seen from the table that the land used for non-agricultural purposes was on the rise and the total cropped area declined from 10,998 ha 2006-07 to 9,164 ha in 2008-09. The Agriculture Department stated (October 2010) that shortage of agricultural labour, water constraints, lack of remunerative prices for the produce and conversion of agricultural land to non-agricultural purposes were the reasons for the decline in the cropped area. However, the department had no specific plan of action to address those issues.

3.1.9.2 Animal Husbandry and Animal Welfare

Animal Husbandry and Animal Welfare Department implements various schemes with the objectives of increasing cattle population, milk and egg production and supplementing income of BPL families in rural areas. Audit findings on implementation of these schemes by the department are discussed below:

Delays ranging from seven to 30 months were noticed in implementing schemes

- ***Inordinate delay in selection of beneficiaries***

Even though the schemes relating to distribution of milch animals, goats, construction of cattle sheds, poultry development etc., were planned to be implemented within 12 months, delays ranging from seven to 30 months were noticed in identifying the beneficiaries and implementing the schemes. It was further noticed that selection of beneficiaries for the year 2009-10 was still (September 2010) not completed.

The Joint Director, Karaikal attributed (October 2010) the delay in selection of beneficiaries to non-receipt of applications in time, non-remittance of beneficiary share and time taken in identification and purchase of cattle.

- ***Milk Production***

The details of livestock population and production of milk are given in **Table 19.**

Table:19: Details of milk production during 2005-10

Details	Unit	2005-06	2006-07	2007-08	2008-09	2009-10
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Projected Population of Karaikal	Numbers	1,84,911	1,87,872	1,90,881	1,93,938	1,97,043
Milch animals	Numbers	17,959	17,959	17,959	17,959	17,959
Milk produced	MT	9,520	9,592	10,909	10,292	10,781
Milk availability	Grams/person/day	141	140	157	145	150
Per capita availability (National)	Grams/person/day	216	216	216	216	216
Deficit	Grams/person/day	75	76	59	71	66

Source: Animal Husbandry Department

It may be seen from the above that the milk availability in the district was between 140 and 157 grams *per capita* daily as against the 216 gms prescribed by the Indian Council for Medical Research. The district was not self-reliant in milk production. In spite of implementing schemes for increasing the cattle population in the district, there was no addition in the number of milch animals during 2005-10 and reasons for the same were not furnished by the department.

- ***Distribution of milch animals, goat units, etc.***

As per scheme guidelines, beneficiaries who availed of subsidies for purchase of milch cows, goat units, poultry units, cattle sheds etc. were to maintain the animals, cattle sheds etc., at least for three years to achieve the

desired objectives *viz.*, to increase the animal population, production and productivity to supplement income for BPL farmers in rural areas. Physical verification conducted by the Animal Husbandry Department in November 2008 revealed that out of 1,490 beneficiaries who availed of the subsidies during 2006-07, only 355 beneficiaries retained their animals/cattle sheds.

Subsidies for 164 goat units and 144 milch cow units were provided during 2007-08 by the department. Physical verification of 42 goat and 32 milch cow units by the department revealed that 18 goat and 13 milch cow units alone were retained (July 2010) by the beneficiaries. The department failed to take proper follow up action after disbursement of subsidy which had resulted in non-achievement of the objectives of the schemes. Though the guidelines stipulated recovery of subsidy from the defaulters, the department had not taken any action to recover the amounts. The department stated (October 2010) that action would be initiated to recover the amounts from the defaulters.

3.1.9.3 Fisheries

The district has a coastline of 20 km and 400 ha of inland and brackish water areas. In order to improve the socio-economic status of fishermen and to increase the fish production, the Fisheries and Fishermen Welfare Department, implements various schemes *viz.*, imparting necessary training, providing infrastructural facilities, extending financial assistance.

- ***Fish production***

The details of fish production as furnished by the Department of Economics and Statistics in the district are given in **Table 20**.

Table:20 - Details of fish production during 2005-09
(In metric tonnes)

Year	Karaikal	
	Marine	Inland
2005-06	12,297	1,287
2006-07	11,765	1,570
2007-08	8,478	1,570
2008-09	9,299	832

Source: Fisheries Department

Marine fish production of the district declined from 2005-06 due to lack of berthing facilities¹³. The department (November 2010) stated that low marine fish production was due to environmental changes, non-availability of fish varieties such as oil sardine and mackerels. In respect of inland fish production, it was stated that fish seeds were washed away due to heavy rainfall and inundation of water in low-lying areas. The reply is not

¹³ To anchor the fishing boats and vessels in the sea shore

acceptable as the reasons stated were regular phenomena all the years and the department should have formulated schemes to address these issues.

- ***Non-creation of data-base on fishermen***

Government of India introduced (2003-04) a Centrally-sponsored scheme to create a database on the number of fishermen, fishing boats, vessels, etc. Government released (March 2007) ₹ 4.50 lakh to the Fisheries Department for procurement of information technology equipment. The Directorate of Fisheries procured the equipment only in March 2009 and sent (June 2009) one set of equipment to Karaikal. No data base was created in the district as of July 2010. The department stated (September 2010) that the data base would be created after filling up of posts sanctioned for which approval of Ministry of Agriculture, GOI was pending from June 2008.

- ***Distribution of life jackets to fishermen***

With a view to save the lives of fishermen during natural calamities, Government introduced (October 2007) a scheme viz., 'distribution of life jackets to all fishermen in the UT free of cost'. Under this scheme 13,418 life jackets for the entire UT were procured (March 2008) at a cost of ₹ 1.21 crore by the Director. Out of the total procurement, 2,018 life jackets were transferred (September and November 2008) to the Deputy Director of Fisheries, Karaikal for distribution to fishermen of Karaikal. Up to June 2010, only 756 life jackets were distributed and the balance 1,262 life jackets (cost ₹ 9.51 lakh) were lying idle. The reasons for non-distribution of the remaining life jackets to fishermen were not furnished by the Deputy Director. During the exit conference, the Development Commissioner instructed (November 2010) the departmental officers to distribute the life jackets to the eligible fishermen.

- ***Fish Farmers' Development Agency***

A Fish Farmers' Development Agency (FFDA) had been functioning in Karaikal since 1989 for development of inland fisheries through intensive fish farming and culture practices; bringing all cultivable fishing resources under optimum fish production; popularizing new avocation by way of fish culture to the people; contributing to strengthening of the rural economy through viable fish farming activity by implementing various schemes etc. The FFDA received total grants-in-aid of ₹ 72 lakh from the UT Government and GOI to implement various schemes. Test check of records of the FFDA revealed the following:

- ***Construction/renovation of fish ponds***

Financial assistance in the form of subsidy at 20 per cent of the cost of construction of a new pond subject to a maximum of ₹ 60,000 was granted to each beneficiary under the Centrally Sponsored Scheme of 'Development of Inland Fisheries and Aquaculture'. The FFDA had an unspent balance of

₹ 1.81 lakh as of March 2005. It submitted (2005-10) proposals to GOI for construction of new ponds in 13 ha area annually. GOI released ₹ three lakh (March 2007) for the period 2005-10. FFDA utilised ₹ 3.46 lakh during 2005-06 and 2008-10 towards subsidy payment for 44 beneficiaries.

It was noticed in audit that an area of 15.35 ha only was brought under inland fish cultivation by FFDA during the five-year period as against the targeted 75 ha. FFDA stated that it could not achieve the annual targets due to poor response from the farmers and grant of higher subsidy by Agriculture Department under the farm pond scheme. Thus, the achievement under the scheme was not satisfactory.

- ***Construction of fishing harbour***

Due to lack of berthing facilities for mechanised boats in Karaikal, it was reported that many fishermen from Karaikal were berthing their mechanized boats at Jagathapattinam in Pudukottai district of Tamil Nadu, which was 200 km away from Karaikal. For safe landing, berthing of fishing fleets and providing infrastructural facilities in Karaikal, it was proposed to construct a fishing harbour and fish landing centre with GOI assistance. GOI sanctioned (August 2005) ₹ 34.07 crore for the above project and released the entire assistance between August 2005 and January 2009 in six instalments. The Fisheries Department, as and when it received funds from GOI, deposited the amount with PWD for execution of the project.

The project was taken up for execution in three phases (Phase I in January 2006, Phase II in March 2008 and Phase III in July 2010) by PWD. The works were in progress (October 2010) and expenditure of ₹ 42.99 crore was incurred on them as against the estimated cost of ₹ 34.07 crore. A revised estimate for ₹ 47.76 crore prepared (April 2009) due to escalation of cost was under sanction. The additional funds were availed of by negotiated loan from National Bank for Agriculture and Rural Development (NABARD). Even though the project was programmed to be completed within three years from the date of sanction i.e., by August 2008, there was slow progress in works due to paucity of funds and poor response to tender calls for Phases II and III. The project was rescheduled for completion by March 2011. As a result, the Karaikal fishermen continued to berth their mechanised boats outside Karaikal. During the exit conference, the Development Commissioner stated (November 2010) that there was no co-ordination between the PWD and the Fisheries Department and that the work would be completed soon.

- ***Fishermen Training Institute***

To impart training to fishermen, the Project Implementation Agency of the Tsunami Reconstruction Programme constructed a Fisheries Training Institute (FTI) in Karaikal under the Member of Parliament Local Area Development scheme fund at a cost of ₹ 92.50 lakh. The building was completed in June 2008 and handed over to the Fisheries Department in

August 2009. Only one training programme on 'Value Added Fish Products' for 30 fisherwomen was conducted in November 2009. Due to non-creation of administrative and academic posts, the FTI constructed was not utilised and the objectives of imparting training to fishermen of Karaikal was not achieved.

3.1.9.4 Road connectivity

The total length of roads in Karaikal as per the data available in the Directorate of Economics and Statistics was 612.03 km. It was reported that all the villages in the district had road connectivity and only upgradation and improvement works were carried out in the district. There was no addition in the length of roads during 2005-10.

Out of 285 km of rural roads under the control of five commune panchayats in the district, roads for a total length of 14 km remained unsurfaced as of March 2010. In Nedungadu commune panchayat, roads for nine km remained unsurfaced out of the total 48 km.



Free house site *pattas* were issued to SC people in Dr. Ambedkar Nagar (South) in Nedungadu Commune Panchayat by Government. About 15 SC families resided in that area. Land was to be acquired to provide road

facilities to the SC habitation. The MLA of the constituency requested (October 2000) the Government to acquire land for providing road connectivity to the habitation. A committee constituted for identifying required land, submitted (November 2000) a proposal to the Deputy Collector, Karaikal for acquisition but the land had not been acquired (October 2010) and the habitation remained unconnected for more than 10 years.

3.1.9.5 Rural Employment Generation

- *Survey on Below Poverty Line families*

The Government has to conduct various surveys relating to below poverty line (BPL) families and the DRDA is responsible for overseeing the surveys. As BPL families are the targeted beneficiaries in all welfare and subsidy schemes, the BPL data requires to be updated regularly. BPL survey in the UT was last conducted in 2003 and completed in 2005. The details of BPL families in the district as of March 2010 were not updated after 2003. In the absence of an updated list of BPL families, beneficiaries under self and wage employment programmes were selected, based on the certificates of income furnished by the Revenue Department.

- **Self and wage employment schemes**

For providing self and wage employment in the rural areas as a means of poverty alleviation, the Swarnajayanthi Gram Swarozgar Yojana and the National Rural Employment Guarantee Act were being implemented in the district.

(i) *Swarnajayanthi Gram Swarozgar Yojana (SGSY)*

With a view to uplift the poor families from below the poverty line by ensuring increase in their income over a period of time through a process of social mobilization, it was proposed to organise Self-Help Groups (SHG). The SHGs were to be trained, provided funds in the form of revolving fund, subsidy and loan and motivated for collective participation in group activity. Each SHG was eligible for a revolving fund (RF) of ₹ 15,000 after six months from the date of formation, and subsidy, after availing of a bank loan.

The details of SHGs to be formed, formed, revolving fund released, bank loan availed, etc. are given in **Table 21**.

Table 21 : Details of self-help groups formed

Details	2005-06	2006-07	2007-08	2008-09	2009-10	Total
Number of SHGs to be formed	--	50	50	50	50	200
Number of SHGs formed	104	52	65	40	27	288
No. of SHGs received revolving fund	55	60	48	38	53	254
Amount of Revolving fund (RF) released (₹ in lakh)	4.97	9.00	7.20	5.70	7.95	34.82
Total number of members availed of RF	825	900	720	570	795	3,810
Number of SHGs availed of loan	19	35	22	37	55	168

Source: Block Development Office, Karaikal

Out of 254 SHGs received revolving funds during the period, only 168 had commenced their economic activities, as they had availed of bank loans but the remaining SHGs had not commenced their activities.

The products of SHGs were sold in exhibitions, trade fairs etc. as and when such fairs were conducted and no regular marketing facilities were available for the SHGs to market their products. The BDO stated (September 2010) that a proposal was in the pipeline to construct four shops for the SHGs. Construction of only four shops for the SHGs formed in the district would not be sufficient to market their produce.

(ii) *National Rural Employment Guarantee Act (NREGA)*

For enhancing the livelihood security in rural areas by guaranteeing 100 mandays per household per year, GOI notified the National Rural

Employment Guarantee Act (NREGA) in September 2005 and the scheme was implemented in the UT from 2008-09.

The year-wise position relating to the funds received from the DRDA, Puducherry by the BDO, Karaikal and its utilization during 2008-10 is given in **Table 22**.

Table 22 : Details of funds received and expenditure

(₹ in crore)

Year	OB	Funds received			Total	Funds utilised	Unspent balance (Percentage)
		GOI	UT	Other receipts			
2008-09	Nil	2.30	Nil	0.01	2.31	1.32	0.99(43)
2009-10	0.99	1.98	0.50	0.02	3.50	3.05	0.45(12)
Total		4.28	0.50	0.03		4.37	

Source: Block Development Office, Karaikal

Out of ₹ 4.81 crore made available to the BDO, Karaikal for NREGA, ₹ 4.37 crore was spent during 2008-10.

The BDO reported 5.39 lakh mandays generation during 2008-10. The details of job card holders registered those who demanded employment and those who were provided employment in the district during 2008-10 are given in **Table 23**.

Table 23: Details of shortfall in providing employment

Year	Number of Households registered	Number of households provided 100 days of employment	Shortfall in providing 100 days of employment (in percentage)
2008-09	14,982	Nil	14,982 (100)
2009-10	15,547	125	15,422 (99)

Source: Block Development Office, Karaikal

There was 100 per cent shortfall in providing legally guaranteed 100 days' wage employment

A total of 15,547 households had been registered in the district up to March 2010. Even though 5.38 lakh mandays were reported to have been generated during 2008-10, there was 99/100 per cent shortfall in providing the legally guaranteed 100 days' wage employment.

(a) *Non-creation of durable assets*

As per the NREG Act, durable assets were to be created in rural areas. It was, however, noticed that out of 986 works carried out during 2008-10, 787 (80 per cent) were de-silting works which were taken up for execution violating the guidelines. The Senior Advisor to Government of India, during inspection, observed (December 2009) that huge investment was being made on de-silting works and advised the officials concerned to utilise the funds for activities which would lead to creation of permanent assets. The BDO stated (September 2010) that only works for creation of durable assets would be taken up under the programme in future.

(b) *Delay in payment of wages*

The Act states that payment of wages should be made to beneficiaries on a weekly basis or in any case, not later than a fortnight after the date on which such work was done. However, it was noticed that in all the 986 works carried out under NREGA, payments were made to the beneficiaries only after completion of the works and the delay in disbursement of wages ranged between one and three months. The delay in payment would be a demotivating factor for the beneficiaries to take up such employment opportunities in future.

3.1.10 Provision of basic amenities by local bodies

Local bodies in the district are responsible for carrying out public health and sanitation activities. There is one municipality and five commune panchayats in the district. Audit findings on public health and sanitation are discussed below:

3.1.10.1. Solid Waste Management

Karaikal Municipality is responsible for collection, storage, segregation, transportation, processing and disposal of municipal solid waste in the municipal area. Per capita waste generation per day in the municipal area was reported as 468 gms.

- ***Collection and segregation of waste***

In Karaikal Municipality, door-to-door collection of waste was done only in some areas. Generally waste was being collected from community dust bins. Non-segregation of waste in Karaikal Municipality led to dumping of biodegradable and non-biodegradable waste together in the dumping yards. Even though the municipality engaged private contractors for clearing of garbage, no action was taken to involve private participation in processing of waste.

- ***Waste processing and disposal facility***

Even though MSW Rules stipulated that every municipal authority has to obtain authorisation from the Pondicherry Pollution Control Committee (PPCC) for setting up of waste processing and disposal facilities including landfills. The Karaikal Municipality continued to dispose off the municipal solid waste in violation of rules without obtaining authorisation from PPCC. There was also no proposal for setting up of a landfill site at Karaikal. During the exit conference, the Development Commissioner assured (September 2010) that the mandatory requirements would be complied with without fail.



During joint inspection of the Paravaipet dumpsite in Karaikal, by the Audit party and the department, it was seen that the waste was burnt continuously emitting smoke and odour. Neither the municipality nor the PPCC had taken any action to prevent burning of waste including plastic produce which posed serious environmental and

health hazards. During the exit conference, the Development Commissioner instructed (September 2010) the Director of Local Administration to take steps to avoid burning of waste in the dumping yard.

- ***Transportation of waste***

As in the case of other regions of UT, in Karaikal also, the work of cleaning, collection and transportation of garbage to the dumpsites was privatized. Contractors/SHG/service associations were engaged to undertake the work at rates specified in the estimates prepared by the municipalities. In Karaikal Municipality, the contractors were selected every year on lot basis. Collection and transportation of waste was done by contractors/SHG/NGOs in 12 out of 18 wards in Karaikal Municipality. In the remaining wards, it was done by the municipality.

The agreements executed with the contractors for collection and transportation of garbage provided for (i) weighment of garbage by the contractor at their cost once in a week, and (ii) carrying three trip loads of garbage everyday, failing which an amount of ₹ 750 was to be deducted from the contractor's bills per trip. However, it was seen in audit that weighment records were not maintained by the municipality and, in the absence of such records, the actual quantum of waste generated and cleared per day in the municipal area could not be furnished to Audit. For calculation of fines to be deducted from the amounts payable to the private contractors for their failure to carry three loads of garbage everyday, the Sanitary Inspector of Karaikal Municipality did not take into account the report sent by the sanitary staff posted at the dumping yard. Comparison of the register maintained at the dumpsite with the bills paid to the contractors revealed that there was a short recovery of fines to the tune of ₹ 9.52 lakh during 2009-10. During the exit conference, the Development Commissioner instructed (September 2010) the Director, LAD to take corrective measures.



As stipulated in MSW Rules, vehicles used for transportation of waste should be covered to prevent scattering and exposure of waste to open environment. Even though this condition was included in the agreements, it was seen during joint inspection that vehicles transporting garbage were not covered with net. The Municipality, instead of complying with the MSW rules, imposed fines for transporting the garbage without net and the contractors continued to follow the same practice. During the exit conference, the Development Commissioner stated (September 2010) that the Commissioner of the Karaikal Municipality would be instructed to adhere to the agreement conditions without deviations.

- ***Non-recovery of charges from bulk generators of waste***

As per recommendations of Supreme Court Monitoring Committee, municipalities have to make arrangements for collection of waste from marriage halls, community halls, health care establishments etc., daily on a full-cost-recovery basis. To an audit query, Karaikal Municipality replied that charges for bulk clearance of waste had not been fixed. During the exit conference, the Development Commissioner instructed (September 2010) the Director, LAD to give suitable instructions to the municipality to collect the charges.

3.1.10.2 Bio-medical Waste Management

As per BMW Rules, 1998 (amended in 2003), it is the duty of every hospital/health care establishment to take all steps to ensure that biomedical waste is handled without any adverse effect on human health and environment. As per Rule 8 of BMW Rules, every occupier of an institution generating, collecting, receiving, storing, transporting, treating, disposing and/or handling bio-medical waste in any other manner, except such occupier of clinics, dispensaries, pathological laboratories, blood bank providing treatment/service to less than 1,000 patients per month, shall make an application in Form I to the Pondicherry Pollution Control Committee for grant of authorisation. But it was noticed that the Government Hospital and Primary Health Centres (PHCs)/ Community Health Centre (CHC) functioning in Karaikal region were functioning without valid authorisation.



The biomedical waste generated by the Government and private hospitals in the municipal area and collected by Karaikal Municipality was mixed with municipal solid waste and dumped in the dumpsite. Stray cattle were also noticed at the dumping sites.

The bio-medical waste generated by PHCs at Karaikal was transported once in a week to incinerators installed at Government General Hospital, Karaikal (GH). It was noticed that the vehicles were transporting the biomedical waste without obtaining authorization from PPCC. During the exit conference, the Special Secretary (Science, Technology and Environment) assured that (August 2010) authorization would be issued soon.

As per rules, untreated bio-medical waste shall not be stored beyond 48 hours without permission from PPCC. In Karaikal GH, the biomedical waste to be incinerated was stored in the hospital premises whenever the incinerator was not functioning. During the period of audit (2005-10) the incinerator was not functioning on seven occasions with breakdown periods ranging from three days to 21 days. The hospital authorities stated that the biomedical waste was kept in the hospital itself whenever the incinerator remained out of order. Permission for storing the biomedical waste beyond 48 hours on such occasions was not obtained from PPCC.

In Karaikal, the biomedical waste generated by Community Health Centres (CHCs)/PHCs was brought to GH for disposal through incineration once in a week. The permission for storing the biomedical waste beyond 48 hours was not obtained from PPCC by the CHC/PHCs.

BMW Rules stipulate that the temperature of the primary and secondary chambers of the incinerators should be 800 ± 50 degree centigrade and $1,050 \pm 50$ degree centigrade respectively at least for one second so as to contain the emission of toxic pollutants. During joint inspection of incinerator at GH, Karaikal, by audit and the department, it was noticed that the maximum temperature attained by the chambers during entire incineration process was 616 degree centigrade and 515 degree centigrade respectively. As the prescribed maximum temperature was not achieved by the incinerators, the possibility of emission of toxic pollutants like dioxins, furans, heavy metals from these incinerators could not be ruled out.

3.1.10.3 Slaughterhouses

(i) As per Section 25/26 of Water (Prevention and control of Pollution) Act, 1974 every municipality should obtain 'Consent for Operation' (CFO) to slaughter animals in the slaughterhouse. Slaughtering of animals generates waste consisting of non-edible offal like lungs, large intestines, various glands, animal's tissues, organs etc and stomach/intestinal contents, dung, sludge from waste water treatment, bones etc. Guidelines prescribe that all these wastes should be disposed off by adopting methods like rendering/controlled incineration/burial/composting/anaerobic digestion,

etc. Liquid waste water from slaughterhouses should not be allowed to mix with the municipal drains system without pre-treatment as they cause severe pollution. The municipality had not obtained CFO for the slaughterhouse functioning in Karaikal.

(ii) The Joint Director of Animal Husbandry inspected (July 2004) the existing slaughterhouse of Karaikal municipality and observed that the slaughterhouse was not maintained in hygienic condition and it had no compound wall.

Under the scheme 'Financial assistance to Municipalities for creation of assets in Tsunami affected areas' grant-in-aid of ₹ 73.52 lakh was released (November 2006) to the Karaikal Municipality to construct a new slaughter house in Karaikal. Work order to a contractor by the Commissioner, Karaikal Municipality was issued in September 2007 at a tendered cost of ₹ 62.61 lakh with a direction to complete the work by May 2008. As of June 2010, the civil work was completed at a cost of ₹ 58.16 lakh. The slaughterhouse was inaugurated in July 2010 by the Minister for Local Administration but due to delay in completion of electrical works, the same could not be utilised. In reply, the Commissioner, Karaikal Municipality stated (October 2010) that the new slaughterhouse would be put to use from December 2010 on completion of electrical works, for which expenditure sanction was awaited from the Local Administration Department to call for tenders.

During scrutiny of records of the Animal Husbandry Department, it was observed that 17,608 animals were slaughtered in the existing slaughterhouse during 2007-08 to 2009-10 and slaughtering of animals continued to be done in the old unhygienic slaughterhouse.

3.1.10.4 Non-enforcement of provisions of the Public Health Act

The responsibility of enforcing the provisions of the Public Health Act in the district rests with the Health Officer of the Karaikal Municipality. The Health Officer has to look after the sanitation of the municipal area and functions of waste management, maintenance of latrines, arrangement of scavenging, control of nuisances under Chapter XIV of the Pondicherry Municipalities Act, maintenance of slaughterhouse, fish market, etc. The post was kept vacant since July 1999 and the efforts made to fill up the vacant post had not materialised so far. The Commissioner, Karaikal Municipality stated (September 2010) that the Medical Officers of the Karaikal Government General Hospital were also reluctant to take over the additional charge of the post of health officer of the municipality. Hence there was no official in the district to implement the provisions of the Act, and no system was in place to monitor the public health in the District. The District Administrator stated they were not able to fill up the post of Health Officer for the Municipality (October 2010).

3.1.11 General Services

Audit findings on law and order, road accidents and e-governance are discussed below:

3.1.11.1 Law and Order

Eleven police stations were functioning in Karaikal under the control of a Senior Superintendent of Police to maintain law and order in the district. The number of crimes and crime detection percentage in the UT and in Karaikal during period 2006 to 2009 are given in **Table 24**:

Table 24: Details of crimes and crime detection percentage

Year	No of crimes		Crime detection percentage	
	UT	Karaikal	UT	Karaikal
2006	NA	772	NA	95
2007	5,054	769	89	94
2008	4,989	726	88	89
2009	4,591	723	87	89

Source: Police Department

It could be seen from the above that the crime detection percentage in Karaikal was high.

- ***Non-availability of fingerprint experts***

Fingerprint experts play a significant role in investigation of various crimes. It is the duty of police personnel at the scene of crime to preserve the scene and see that any latent prints left by the perpetrators of crimes are not meddled with or disturbed until they are inspected by fingerprint experts. As the district had no Finger Print Unit, the officials of the Finger Print Bureau (FPB) Puducherry had to visit the scenes of crimes. During 2006-09, out of 182 scenes of crimes FPB could visit only 35 scenes of crimes (20 per cent). It was also noticed that officials from Puducherry visited the scene of crimes after a delay of about four hours as the distance between Puducherry and Karaikal is more than 135 km. During the period of delay the possibility of the fingerprints available in the scene of offence vanishing or being tampered with resulting in loss of evidence could not be ruled out.

- ***Coastal Police Station***

In order to check infiltration of anti-social elements and foreign boats entering Indian Territory and territorial waters and to patrol the coast waters with the objective of preventing disputes in fishermen's villages of Karaikal and in the adjoining areas of Tamil Nadu, a coastal police station (CPS) was

established in Karaikal in November 2006 with Central assistance of ₹ 5.45 crore. The assistance was provided in the form of three boats costing ₹ 5 crore and a cash assistance of ₹ 0.45 crore for construction of a police station, purchase of vehicles, etc. Out of the three boats received, two boats were handed over to CPS, Karaikal (June 2009 and July 2010) and one was berthed (August 2009) at the Fishing Harbour, Puducherry. Even though GOI's financial assistance for petrol, oil and lubricants to operate the vessels was available, the boats were mostly used for trial run purpose only. Patrolling activities in the coast in full swing were not commenced.

The CPS was functioning in a rented building from November 2006 due to non-commencement of construction of the building despite provision of funds by GOI. Even though the jurisdiction limit up to one km from the seashore in Karaikal was fixed for the CPS, powers to register first information reports (FIRs), to investigate, apprehend and prosecute offenders under the Criminal Procedure Code and the Indian Penal Code were not delegated.

- **Road accidents**

As per the details of road accidents in the district furnished by the Police Department, the number of accidents during the calendar year 2005-09 ranged between 118 and 198. A meeting was held in April 2010 to discuss the prevention of road accidents. The Senior Superintendent of Police, Karaikal requested, during a meeting held in April 2010, the Executive Engineer, (B&R) to have a joint inspection of burning and non-burning of street lights, as about 50 fatal accidents occurred every year in Karaikal and approximately 70 per cent of the cases occurred at various critical stretches of NH 45A alone. A joint inspection carried out (June 2010) in six areas by the department revealed that 92 out of 213 sodium vapour lamps were not burning and that in Vikram Sarabhai Road, all the 13 lamps were not burning.

It was noticed that the Buildings and Roads Division, Karaikal, which was responsible for erection and maintenance of high mast lamps, had no electrical maintenance staff to maintain them properly.

3.1.11.2 Disaster Management

Karaikal district is prone to frequent natural calamities such as flood, cyclone, etc. The district was affected by a tsunami in December 2004. In order to have a state of preparedness and the ability to respond quickly to a natural calamity, mitigate loss of life and property and human suffering and to restore normalcy at the earliest a District Disaster Management Authority was established (August 2007) in Karaikal.

GOI released ₹ 8.85 lakh to the UT Government during 2005-10 for (i) for capacity building in earthquake management (ii) establishment of a hazard safety cell and (iii) risk mitigation programme. The UT Government also

released a sum of ₹ 88.50 lakh to the Puducherry authority. The Disaster Management Authority, Puducherry deposited (June 2010) ₹ 83.59 lakh with the Project Implementation Agency (PIA) for carrying out risk mapping and the PIA awarded the work to a firm in July 2010 only. Awareness programmes and training were conducted in Karaikal at a cost of ₹ 11 lakh, but the district disaster management plan was not prepared. Thus, the district was not in preparedness to meet any natural calamity even after six years from the occurrence of the tsunami.

- ***Bio-wall Plantation***

With a view to protect the coastal areas from onslaught of natural calamities, the Forest Department proposed to raise plantations such as casuarina, coconut trees, etc. The department raised bio-wall plantation for a length of 7.52 km in Karaikal coast during 2005-06 to 2007-08 at a total cost of ₹ 2.39 crore and maintained them upto March 2008. Further maintenance was not done and it was noticed that the survival rate of plants, except casuarina and coconut trees, was very low and it ranged between six and 18 *per cent*.

3.1.11.3 e-governance

In October 1988, UT Government constituted a District Co-ordination Committee for Karaikal with the assistance of National Informatics Centre (NIC) to co-ordinate and to identify the areas for computerization, output requirements, data flow etc. Since then, e-governance applications developed by Central, State, District units of NIC were being implemented and maintained by NIC, Karaikal.

In order to administer the implementation of e-governance projects in a speedy and time-bound manner, a society viz., the Pondicherry e-governance Society was constituted at Puducherry in February 2006 with the objectives of assisting the Department of Information Technology of GOI in formulating policies and procedures, administering the implementation of e-governance and collecting revenue and issuing receipts on behalf of various departments and organization.

Based on the guidelines issued by the Department of Information Technology, New Delhi, UT opted to establish a State Data Centre with the NIC as the prime implementation agency for the State Wide Area Network for establishment, operation and maintenance of the network with appropriate end-to-end service level agreement. There were two parts in the Pondicherry State Wide Area Network viz., (i) Vertical backbone network connecting UT centres with the block centres through district centres comprising 12 Points of Presences (four in Karaikal District) and ii) horizontal connectivity for 326 Government offices (60 in Karaikal).

Government of India accorded administrative approval for establishment of a State Data Centre viz., Pondicherry State Wide Area Network at a total

estimated outlay of ₹ 10.09 crore over a period of five years to be implemented by NIC with an estimated contribution of ₹ 7.24 crore from the Department of Information Technology and UTs share of ₹ 2.85 crore. The entire amount received from the GOI contribution of ₹ 3.29 crore (₹ 2.38 crore in 2006-07 and ₹ 0.91 crore in 2007-08) was released to the Pondicherry e-governance Society which was to establish the State Data Centre.

As seen from the target and achievements of the Society for the year 2009-10, as against connectivity to 326 horizontal locations, connectivity to only 60 locations were established. In Karaikal 20 locations were identified (October 2010). Thus, Pondicherry State Wide Area Network proposed to connect 60 Government offices in Karaikal by December 2008 was not completed.

3.1.12 Monitoring

There should be an effective system to monitor the functions of all departments, implementation of various schemes/programmes and achievement of intended objectives. The District Collector at the district level and the Development Commissioner and the Heads of Departments at the UT level, are responsible for monitoring implementation of the schemes in the district. Government has to prescribe the extent of supervision (number or percentage of inspection) to be carried out by officers at various levels with regard to the developmental works/projects.

It was noticed in audit that the UT Government had not prescribed the number of inspections or percentage of inspections to be carried out by district level and state level departmental officers. Moreover, the District Level Monitoring Committee which was to monitor the progress of implementation of various schemes in the district was not constituted. Even though the implementing units in the district furnished periodical reports to their administrative heads, a consolidated report for the district as a whole was not compiled by the District Collector and submitted to Government for assessing the overall performance of the schemes implemented in the District.

3.1.13 Conclusion

The District Planning Committee was not constituted and the District Rural Development Agency for the district was not formed. Funds provided for implementation of schemes were drawn far in advance of requirements and kept outside the Government account. Delays in implementation of schemes were noticed. Adequate basic infrastructure and the required manpower were not provided in the rural health centres. Government schools lacked basic amenities. The provisions of the Municipal Solid Waste Management Rules were not complied with by the Karaikal

Municipality. There was a 99/100 *per cent* shortfall in providing the legally guaranteed 100 days' wage employment to registered households under the National Rural Employment Guarantee Act.

Recommendations

- A District Planning Committee should be constituted and district plans based on inputs from the local bodies and other stakeholders should be prepared.
- A District Rural Development Agency for effective planning and monitoring of schemes implemented by the district should be constituted.
- Compliance with the provisions of the Receipts and Payments Rules and General Financial Rules by the Drawing and Disbursing Officers should be ensured through continuous monitoring to avoid drawal of funds far in advance of requirements and keeping them in bank accounts.
- Proper infrastructure and adequate manpower should be provided in Government health centres and schools.
- Reasonable targets should be fixed for housing subsidy schemes so as to achieve the targets envisaged in the Eleventh Five Year Plan.
- Provisions of the Municipal Solid Waste (Management and Handling) Rules should be complied with by the Karaikal Municipality.
- Implementation of the National Rural Employment Guarantee Act should be made more effective to provide the guaranteed 100 days' wage employment to registered households under the scheme.

CHAPTER IV

REVENUE RECEIPTS

4.1 Trend of revenue receipts

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 during the year 2009-10 and the corresponding figures for the preceding four years are given below:

(₹ in crore)

Sl. No.	Category	2005-06	2006-07	2007-08	2008-09	2009-10
I	Revenue raised by the Government					
	(a) Tax revenue	479.40	569.55	652.85	725.35	867.74
	(b) Non-tax revenue	510.99	549.92	625.82	628.64	642.93
	Total (I)	990.39	1,119.47	1,278.67	1,353.99	1,510.67
II	Receipts from the Government of India - Grants-in-aid	811.49	764.09	856.95	1,104.51	1,330.66
III	Total receipts of the Government (I + II)	1,801.88	1,883.56	2,135.62	2,458.50	2,841.33
IV	Percentage of I to III	55	59	60	55	53

The above table indicates that during the year 2009-10, the revenue raised by the Union Territory Government was 53 per cent of the total revenue receipts (₹ 2,841.33 crore) as against 55 per cent in the preceding year. The balance 47 per cent of the receipts during 2009-10 was obtained from the Government of India.

4.1.1 The details of tax revenue raised during the year 2009-10 along with the figures for the preceding four years are given below:

(₹ in crore)

Sl. No.	Heads of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/ decrease (-) in 2009-10 over 2008-09
1	Taxes on sales, trade, etc.	304.22	364.89	354.98	381.86	453.11	18.66
2	State excise	125.17	143.49	224.02	279.60	329.06	17.69
3	Stamp duty and registration fees	23.97	31.01	41.37	30.80	50.15	62.82
4	Taxes on vehicles	25.56	29.01	31.60	32.46	34.75	7.05
5	Land revenue	0.31	0.91	0.54	0.38	0.54	42.11
6	Others	0.17	0.24	0.34	0.25	0.13	(-) 48
	Total	479.40	569.55	652.85	725.35	867.74	

The reasons for variation in receipts in 2009-10 over 2008-09 as furnished by the departments concerned are mentioned below:

Taxes on sales, trade, etc.: The increase (18.66 *per cent*) was due to increase in the number of registered dealers and strict compliance of payment of taxes and collection of tax arrears.

State excise: The increase (17.69 *per cent*) was due to higher production of Indian Made Foreign Liquor (IMFL) and beer and increased collection of excise duty and additional excise duty.

Stamp duty and registration fees: The increase (62.82 *per cent*) was due to increased sale of non-judicial stamps.

Land revenue: The increase (42.11 *per cent*) was due to reimbursement of pay and allowances of the revenue staff by Puducherry Agro Services Industries Corporation, Puducherry Agro Products Services Corporation and Building Centre and remittance of undisbursed cash compensation for flood relief to Government account.

The other departments did not furnish (November 2010) the reasons for variation despite being requested.

4.1.2 The details of the non-tax revenue raised during the year 2009-10 along with the figures for the preceding four years are given below:

(₹ in crore)

Sl. No.	Heads of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) / decrease (-) in 2009-10 over 2008-09
1	Power	486.88	508.95	570.36	545.90	549.39	0.64
2	Interest receipts, dividends and profits	4.13	7.23	21.41	47.60	56.98	19.71
3	Medical and public health	3.57	7.52	7.83	6.55	6.58	0.46
4	Education, sports, art and culture	0.46	0.47	0.48	0.46	0.45	(-) 2.17
5	Crop husbandry	0.53	0.43	0.34	0.29	0.39	34.48
6	Other receipts	15.42	25.32	25.40	27.84	29.14	4.67
	Total	510.99	549.92	625.82	628.64	642.93	

The reasons for increase (19.71 *per cent*) in interest receipts, dividends and profits in 2009-10 over 2008-09 as stated by the concerned department were due to investment of cash balance in 14 day treasury bills, lump sum

payment of interest on the advances availed by the government servants and receipt of dividends from Puducherry Power Corporation Limited and Puducherry Distilleries Limited.

The other departments did not furnish (November 2010) the reasons for variation despite being requested (July 2010).

4.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actual revenue receipts for the year 2009-2010 in respect of the principal heads of tax and non-tax revenue are given below:

(₹ in crore)

Sl. No	Heads of Revenue	Budget estimates	Actuals	Variation Excess (+) or shortfall (-)	Percentage of variation
1	Taxes on sales, trade, etc.	500.00	453.11	(-) 46.89	(-) 9.38
2	State excise	300.00	329.06	29.06	9.69
3	Stamp duty and registration fees	60.00	50.15	(-) 9.85	(-) 16.42
4	Taxes on vehicles	45.00	34.75	(-) 10.25	(-) 22.78
5	Land revenue	0.79	0.54	(-) 0.25	(-) 31.65
6	Power	945.15	549.39	(-) 395.76	(-) 41.87
7	Interest receipts, dividends and profits	31.43	56.98	25.55	81.29
8	Medical and public health	6.30	6.58	0.28	4.44
9	Education, sports, art and culture	0.73	0.45	(-) 0.28	(-) 38.36
10	Crop husbandry	0.42	0.39	(-) 0.03	(-) 7.14

The departments did not furnish (November 2010) the reasons for variation despite being requested (July 2010).

4.3 Analysis of collection

The break-up of total collection at the pre-assessment stage and after regular assessment under the Pondicherry General Sales Tax Act and Puducherry Value Added Tax Act for the year 2009-2010 and the corresponding figures

for the preceding two years as furnished by the department are as follows:

(₹ in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of col. 2 to 6
1	2	3	4	5	6	7
2007-08	350.30	4.43	0.37	0.12	354.98	98.68
2008-09						
ST	2.85	1.11	0.11	1.95	2.12	134
VAT	379.38	----	0.36	----	379.74	99.91
2009-10						
ST	5.68	---	0.43	0.13	5.98	94.98
VAT	232.80	---	0.39	---	233.19	99.83
Non-VAT	213.76	---	0.18	---	213.94	99.91

The above table shows that the collection of revenue at the pre-assessment stage ranged between 94.98 and 134 per cent during 2007-08 to 2009-10.

4.4 Arrears of revenue

The arrears of revenue pending for collection as on 31 March 2010 under the principal heads of revenue, as reported by various departments, was ₹ 342.06 crore as indicated below:

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1.	Commercial Taxes	146.81	6.41	The arrears relate to collection of tax under PGST/CST and VAT Acts. Rupees 123.88 crore is covered under litigation. Rupees 2.25 lakh is covered under write off proposals, ₹ 61.43 lakh is under revision petition and ₹ 22.30 crore is pending at various stages of recovery.

(1)	(2)	(3)	(4)	(5)
2.	Electricity	163.65	28.91	The arrears comprise ₹ 49.50 crore due from the high tension (HT) consumers and ₹ 114.15 crore from low tension (LT) consumers. Out of the HT arrears, ₹ 25.90 crore is due from a UT Government owned company; ₹ 0.84 crore is pending with the Claims Commissioner, New Delhi; ₹ 12.80 crore is covered under litigation; ₹ 3.78 crore is proposed to be recovered through the Revenue Recovery Act and ₹ 6.18 crore is due from other consumers/ industries. Under LT category, ₹ 25.72 crore is due from Local Bodies and ₹ 11.56 crore from Government departments. Rupees 76.87 crore is due from other consumers/ industries.
3.	Public Works	16.88	2.72	The arrears relate to water charges due from consumers and licence fee due from Government servants.
4.	State Excise	12.07	11.04	Arrears are mainly due to non payment of <i>kist</i> by the lessees of arrack and toddy shops
5.	Government Automobile Workshop	2.11	---	The arrears are due from Government departments towards sale of petrol, oil and lubricants.
6.	Town and Country Planning	0.14	0.14	The arrears relate to enhanced cost of plots due from the allottees of various housing schemes.
7.	Stationery and Printing	0.14	0.02	The arrears relate to payments due from Government departments.
8.	Tourism	0.09	0.02	The arrears are mainly due from guests/Government Officials/MLAs/Hon'ble Ministers towards room rent.
9.	Co-operation	0.06	0.02	Arrears relate to audit fees and other receipts dues.
10.	Industries	0.05	0.05	Arrears relate to rent due from defunct industrial units and to be recovered under the Revenue Recovery Act.
11.	Judicial	0.04	0.03	In some cases, the accused are in prison and in some cases, appeals are pending in courts.
12.	Legislative Assembly Secretariat	0.01	0.01	The arrears relate to payment of rent by the lessees towards legislators' hostel canteen.
13.	Fisheries	0.01	0.01	Arrears are due from Fisheries Department, Kakinada, Government of Andhra Pradesh.
	Total	342.06	49.38	

The other departments *viz.*, Information and Publicity, Police and Agriculture did not furnish (November 2010) the details of arrears of revenue despite being requested (October 2010).

4.5 Fraud and evasion of tax

The details of cases of fraud and evasion of sales tax detected, cases finalised and the demands for additional tax and penalty levied as reported by the Commercial Taxes department are mentioned below:

Cases pending as on 1 April 2009	Cases detected during 2009-10	Total	Number of cases in which assessments/investigations were completed and additional tax and penalty levied		Number of pending cases as on 31 March 2010
			Number of cases	Amount demanded	
80	21	101	5	₹ 2.97 lakh	96

4.6 Failure to enforce accountability and protect the interest of the Government

Principal Accountant General (Commercial and Receipt Audit), Tamil Nadu arranges 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). Important irregularities are included in the IRs issued to the heads of offices inspected with copies to the next higher authorities for taking prompt 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 two months from the dates of issue of the IRs. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Principal Accountant General.

A review of IRs issued upto December 2009 disclosed that 632 paragraphs involving ₹ 121.29 crore relating to 186 IRs remained outstanding at the end of June 2010. The Department-wise break up of the IRs and audit observations outstanding as on 30 June 2010 are as given in the following table:

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales tax	45	281	107.12
2	Land revenue	27	61	1.57
3	Stamp duty and registration fees	60	124	1.95
4	Taxes on vehicles	29	123	4.10
5	State excise	25	43	6.55
	Total	186	632	121.29

4.7 Status of recovery against audit observations accepted by the Government

A review of the replies of the Government to the paragraphs of the Audit Reports for the last five years from 2005-06 to 2008-09 shows that against the revenue effect of ₹ 97.21 crore of the audit observations accepted by the department, the actual recovery was only ₹ 21 lakh. The year-wise break up of the recovery of revenue till October 2010 is mentioned below:

(₹ in crore)

Year of Audit Report	Revenue effect of the chapter	Amount accepted by the department	Amount recovered
2005-06	22.13	22.13	0.00
2006-07	1.13	0.00	0.00
2007-08	9.49	1.80	0.20
2008-09	73.28	73.28	0.01
Total	106.03	97.21	0.21

It is recommended that the Government may revamp the recovery mechanism to ensure that the amount involved in accepted cases is promptly recovered.

4.8 Results of audit

Test check of the records of sales tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2009-10 revealed under assessment/short levy/loss of revenue amounting to ₹ 9.88 crore in 28 audit observations. During the course of the year, the departments accepted ₹ 8.54 lakh in six audit observations of which ₹ 6.03 lakh pertaining to two cases were pointed out in earlier years. Rupees 6.12 lakh was recovered by the department.

This Chapter contains a review on “Transition from Sales tax to Value added tax” and two paragraphs involving money value of ₹ 34.33 lakh. The Government accepted the audit observation in one case amounting to ₹ 6.03 lakh and collected ₹ 3.61 lakh.

COMMERCIAL TAXES DEPARTMENT

4.9 Transition from Sales Tax to Value Added Tax

Highlights

- Large number of assessments (20,038) under the repealed Act are pending finalisation despite availability of enabling provisions facilitating deemed assessments.

(Paragraph 4.9.8)

- The return in form 'K' prescribed under the PVAT Rules was found to be deficient to elicit all the required details from the assessee and for ensuring the correctness of the claim of ITC.

(Paragraph 4.9.11.1)

- The Puducherry Value Added Tax Act does not provide for a fixed percentage of self assessments to be taken up for detailed scrutiny.

(Paragraph 4.9.12)

- Failure to re-fix turnover limits for claiming compounding rate of tax while introducing the Act in the middle of the year resulted in foregoing of revenue of ₹ 28.30 lakh during 2007-08.

(Paragraph 4.9.15)

- The department had not instituted a mechanism to assess the impact of VAT on the prices of commodities and to ensure that the benefit of reduction in tax rates had been passed on to the general public.

(Paragraph 4.9.17.4)

4.9.1 Introduction

The Government of India decided to implement State Level Value Added Tax in all the States on the basis of the decision taken on 23 January 2002 by the Empowered Committee of the State Finance Ministers. The Empowered Committee submitted its White Paper in January 2005 and anticipated that the introduction of VAT would result in the following benefits:

- elimination of cascading tax burden, by providing a set off for input tax as well as tax paid on previous purchases;

- rationalisation of the overall tax burden by abolition of other incidental taxes such as surcharge and additional sales tax;
- the overall tax would increase and there would be higher revenue growth;
- built in self assessment by dealers; and
- a simple and transparent tax structure.

The Government of Puducherry repealed the Pondicherry General Sales Tax Act, 1967 and promulgated the Puducherry Value Added Tax Ordinance, 2007 which came into force with effect from 1 July 2007. The Ordinance was replaced with an Act, viz., Puducherry Value Added Tax Act, 2007 (PVAT Act) after receiving the assent of the President of India on 1 December 2007. Some of the differences between the PVAT Act and the repealed Act are as under:

(i) VAT is a multi point taxation system unlike PGST which was a single point taxation system.

(ii) VAT is based on the value addition to the goods and the related VAT liability of the dealer is calculated by deducting input tax credit from the tax collected on sales during the tax period;

(iii) The VAT system relies on the dealers to pay the tax voluntarily by furnishing the returns prescribed under the PVAT Act. These returns shall be accepted as self-assessed. The selection of cases for detailed assessment by scrutiny of accounts is left to the discretion of the assessing authority or as directed by the Commissioner. However, under the PGST Act, cent *per cent* cases were required to be assessed by the department.

(iv) The VAT system simplifies the tax structure and reduces the control of the executive over the dealers whereas the repealed sales tax system was cumbersome with additional levy of turnover tax.

4.9.2 Organisational set up

The Commissioner of Commercial Taxes (CCT) is the head of the department of Commercial Taxes (CT) and is assisted by the Deputy Commissioner and Assistant Commissioner (Audit and Intelligence) who exercise administrative control. There are four assessment circles in Puducherry region and one each in the outlying regions of Karaikal, Mahe and Yanam. The Commercial Tax Officers, Deputy Commercial Tax Officers and Assistant Commercial Tax Officers are the assessing authorities responsible for the levy and collection of tax and arrears thereof in the respective assessment circles. In addition, there is a 'Mobile Wing' which has been formed for the purpose of conducting surprise inspections and unearthing suppression. The Appellate Wing headed by the Appellate Assistant Commissioner deals with appeal cases. The monitoring and

control at the Government level is done by the Principal Secretary, Finance Department.

4.9.3 Audit objectives

The review was conducted with a view to ascertain that

- the planning for implementation and transition from the PGST Act to PVAT Act was effected timely and efficiently;
- the organisational structure was adequate and effective;
- the provisions of the PVAT Act and the Rules made thereunder are adequate and enforced properly to safeguard the revenue of the Union Territory; and
- the internal control mechanism which exists in the department was effective and adequate to prevent leakage of revenue.

4.9.4 Scope and methodology of audit

The review was conducted between February 2010 and June 2010. The data and other related details pertaining to the period from July 2007 to March 2010 were gathered from the administrative sections and four assessment divisions of the CT department for macro level analysis.

4.9.5 Acknowledgment

Audit acknowledges the co-operation extended by the Commercial Taxes department in providing us the necessary records and information. An entry conference was held in April 2010 in the office of the Principal Secretary, Finance and Development Commissioner, Puducherry in which the audit objectives, scope and methodology were explained. The draft review was forwarded to the department and the Government in July 2010. An exit conference was held on 26 November 2010 with the Commissioner, Commercial Taxes Department. The reply received from the department has been incorporated in the review.

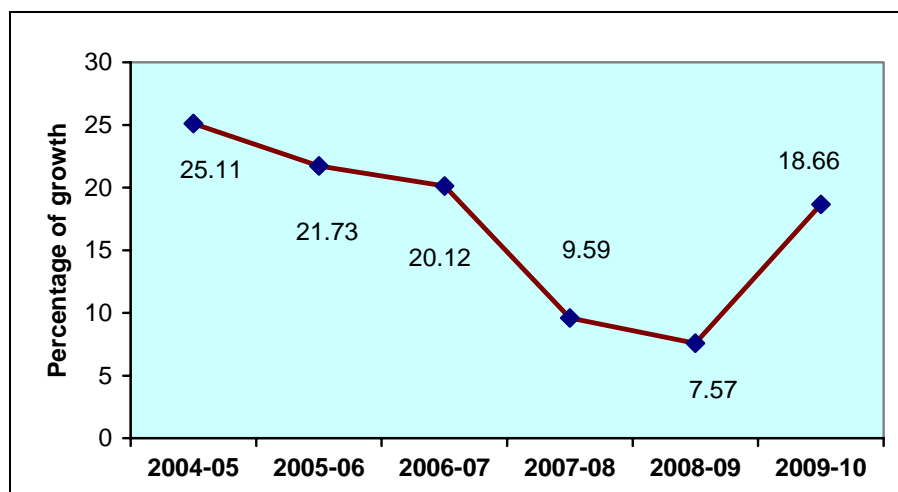
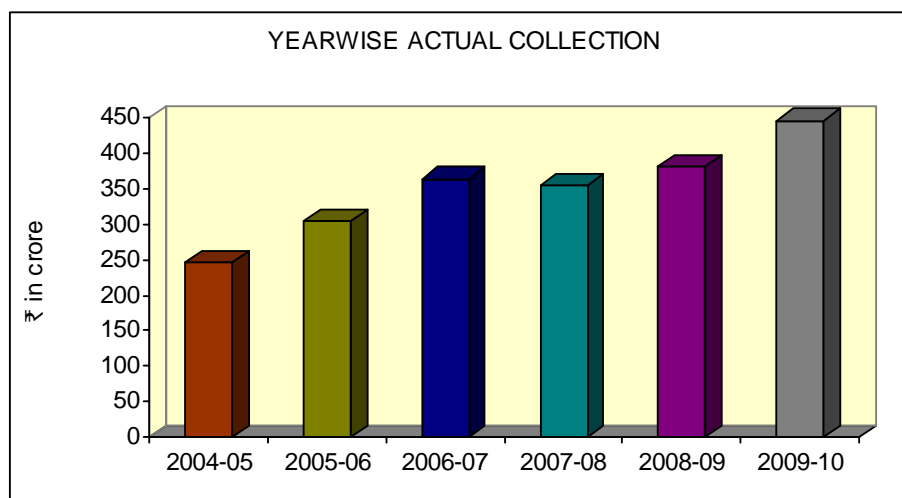
Audit findings

4.9.6 Pre-VAT and post-VAT collection

The comparative position of pre-VAT sales tax collection (2004-05 to 2006-07), composite sales tax and VAT collection (2007-08) and post-VAT tax collection (2008-09 and 2009-10) including the annual growth rate is mentioned below:

Pre VAT			Post VAT		
Year	Actual collection (₹ in crore)	Percentage of growth	Year	Actual collection (₹ in crore)	Percentage of growth
2004-05	246.48	21.27	2007-08*	354.98	(-) 2.72
2005-06	304.22	23.43	2008-09	381.86	7.57
2006-07	364.89	19.94	2009-10	453.11	18.66

*composite period of pre VAT and post VAT
The figures for the years 2004-05 to 2006-07 is inclusive of tax realised through sale of IMFL also.



The department attributed the reason for the decline in growth rate during the post-VAT period to the grant of exemption on sale of IMFL with effect from 22 April 2007 and continuance of the same during VAT regime. Even

after excluding the revenue earned on IMFL from the total revenue for the years 2004-05 to 2006-07, the rate of growth in tax revenue had decreased during the post-VAT period, being as low as 7.57 per cent in 2008-09. The department attributed the reason for increase in growth rate (18.66 per cent) during 2009-10 to increase in the number of registered dealers and strict compliance of payment of tax dues and collection of tax arrears.

4.9.7 Preparedness and transitional process

The department formed a VAT cell to attend to the VAT related issues such as drafting the PVAT Act, organising training, interacting with other States, etc. The PVAT ordinance was promulgated in the UT on 2 June 2007. The draft PVAT Bill, 2007 received the assent of the President of India on 1 December 2007 and the same was published in the Gazette on 3 December 2007.

As per the decision of the Empowered Committee, many States had introduced VAT with effect from 1 April 2005. However, VAT was introduced in the UT only from 1 July 2007. The delay in implementation of VAT was attributed to the apprehension among the trading community that introduction of VAT in the UT without Tamil Nadu implementing the same would seriously affect their trade and might adversely affect the economy of the UT.

4.9.7.1 Creation of awareness among the stakeholders

The department organised a number of training programmes for the officers of the CT department and stakeholders (Chambers of commerce and industries, traders, manufacturers and sales tax practitioners) during January 2007 to August 2007. The department also organised campaigns through the print media by issue of advertisements in newspapers, issue of pamphlets and erection of hoardings in connection with the implementation of VAT in the UT of Puducherry.

4.9.7.2 Analysis of staff requirement

The total staff strength of the department and vacancy position for the period from 2006-07 to 2009-10 is tabulated below:

Period	Sanctioned strength	Actual strength	Vacancy position
2006-07	159	152	7
2007-08	159	146	13
2008-09	159	135	24
2009-10	159	127	32

The above table indicates an increasing trend in vacancies. The department stated in October 2010 that no proposal was sent to the Government for

additional requirement of staff for the administration/implementation of VAT Act.

It is recommended that the Government consider filling up the vacancies in view of the large number of pending assessments as stated in Paragraph 4.9.8 below.

4.9.8 Pendency of assessments under the PGST Act

The Pondicherry General Sales Tax (Assessment) Rules 2007 empowered the assessing authorities to make deemed assessment, without calling for the accounts of the dealers. Despite the enabling provision, a large number of assessments under the erstwhile Act were kept pending as detailed in the table below:

Year	Opening Balance	Cases which became due for assessment	Total	Cases disposed	Cases pending	Percentage of disposal
2006-07	18,774	9,461	28,235	9,693	18,542	34
2007-08	18,542	10,870	29,412	12,053	17,359	41
2008-09	17,359	5,843	23,202	2,644	20,558	11
2009-10	20,558	---	20,558	520	20,038	3

The percentage of finalisation of assessments pertaining to the PGST Act has fallen sharply during 2008-09 i.e. after the implementation of VAT. Although the poor pace of finalisation of assessments is likely to affect the collection of taxes adversely, no action plan for fixation of targets in terms of number of cases for each assessing authority and the time period within which the pending cases should be disposed has been devised by the department.

The department stated in October 2010 that they are considering effective measures to complete the pending assessments.

The Government may formulate an action plan to facilitate the finalisation of assessments and closely monitor its implementation.

System deficiencies

4.9.9 Registration of dealers

Section 6 of the PVAT Act provides that all the dealers who were carrying on business before the commencement of the Act and who were registered under the PGST Act, shall be deemed to be provisionally registered under the PVAT Act. The dealers were requested to submit the prescribed application for registration within one month from the date of commencement of the Act. According to Section 4 of the PVAT Act, every

dealer whose total turnover in any year was not less than ₹ 10 lakh was required to be registered under the Act. The turnover limit for registration was reduced to ₹ five lakh with effect from 1 November 2008.

Audit observed that there has been a reduction in the number of registered dealers. The number which was 12,735 in 2006-07 had come down to 11,218 during 2007-08. The number of registered dealers during 2008-09 and 2009-10 were 11,707 and 12,531 respectively.

4.9.9.1 Database of dubious/risky dealers

In order to prevent evasion of tax, a database in respect of dubious/risky dealers needs to be maintained by the department on the basis of past history of the dealers under the PGST Act, listing cases of fraud/concealment/usage of fake declaration forms to get exemption or reduction in rate of tax. The assessing authorities should consult the database before finalising any assessment.

No database in respect of dubious/risky dealers was maintained by the department.

The department replied in October 2010 that the data generated through the VAT software regarding non-filers of returns was used by the assessing authorities for further follow up action. The department further stated that on receipt of specific information from outside agencies or the commercial tax authorities of other States, action was being initiated against the erring dealers. The fact remains that the purpose of keeping a constant watch over risky dealers was not secured due to non-maintenance of database of dubious/risky dealers.

4.9.10 Deficiencies in the Act and the Rules

4.9.10.1 Rule 17 (13) of the Puducherry Value Added Tax Rules, 2007 (PVAT Rules) prescribes that a registered dealer shall keep all original purchase invoices and connected documents relating to the claim for input tax credit, for a period of five years from the date of commencement of the Act and shall produce such documents to the authority for scrutiny, if required.

The PVAT Act provides for detailed assessment by scrutiny of accounts to be made within a period of three years from the end of the year to which the returns relate and for reversal of input tax credit at any time within a period of five years from the end of the year to which the return relates. Hence, the period of five years should be reckoned from the end of the year to which the return relates, instead of from the date of commencement of the Act.

After this was pointed out, the department initially agreed for necessary amendment of the rule but stated in November 2010 that Chapter VII of the PVAT Rules envisage preservation of records for five years from the end of

the year to which the accounts relates and sub-rule 13 of Rule 17 is only for regulating the input tax credit (ITC) on opening stock.

The reply is not acceptable as the said rule regarding the preservation of documents relating to claim of ITC is not restricted to opening stock alone and the expression “from the date of commencement of the Act” appearing therein is an error in drafting, which has to be set right by necessary amendment of the Rules.

4.9.11 Returns

Section 24 of the PVAT Act deals with filing of returns. Rule 19 of the PVAT Rules prescribes different returns for different classes of dealers and the due dates within which the returns are to be filed.

4.9.11.1 *Deficiencies in the format of the prescribed forms for submitting returns*

The Act provides for self assessment by the dealers and accounts are not required to be produced by the dealers except in cases selected for scrutiny. It is, therefore, necessary that the returns which form the basis for determination of tax payable by the dealers should have suitable columns/fields necessary for eliciting the requisite information and to ensure the correctness of the claim of ITC and output tax payable by the dealers.

The following deficiencies in the format of the return were noticed in audit.

Under the PVAT Act, any dealer who effects second and subsequent sale of goods purchased within the UT and whose total turnover under the PVAT Act and Central Sales Tax (CST) Act does not exceed ₹ 50 lakh in a year could opt for payment of tax at the compounded rate of 0.5 *per cent* on the taxable turnover. The Act also provides that the permission granted for payment of tax at compounded rate shall be deemed to have been cancelled from the end of that tax period in which his sales turnover under the PVAT Act and the CST Act exceeds ₹ 50 lakh. The return in ‘Form-K’ meant for such dealers does not have a provision to exhibit the seller’s TIN, in the absence of which the correctness of the claim as local purchases cannot be ensured. The return in ‘Form K’ also does not contain any column to indicate the month to which the return relates. A column for exhibition of cumulative monthly turnover in the return would be useful to easily identify the dealer’s eligibility for payment of tax at the compounded rate.

The department replied in November 2010 that the dealers who are registered under the PVAT Act alone are eligible for compounding scheme and not the dealers registered under the CST Act. The reply is not acceptable as the PVAT Act provides that a dealer who effects second and subsequent sale of goods purchased within the UT of Puducherry may opt to

pay tax at the compounded rate and the indication of the seller's TIN is essential to ensure that the purchases are made from local registered dealers.

The Government may consider modifying the prescribed form 'K' in order to make it compatible with the provisions of the Act/Rules.

4.9.12 Tax audit

The White paper on VAT submitted by the Empowered Committee provided for a certain percentage of dealers to be drawn up on a scientific basis for the purpose of tax audit. The PVAT Act, however, provides that the returns submitted by the dealer along with the tax due thereon shall be accepted as self-assessed. The assessing authority may select, either at his discretion or as directed by the Commissioner, any dealer for detailed assessment for a year by scrutiny of accounts.

The details of the number of cases which were taken up for scrutiny during the years 2007-08 to 2009-10 were sought by audit. In reply, the assessing authorities of the four assessment circles at Puducherry region replied that 24 cases pertaining to the assessment year 2007-08, one case pertaining to the assessment year 2008-09 and 25 cases pertaining to the assessment year 2009-10 were taken up for scrutiny.

When the fact of the small number of cases selected for scrutiny was brought to the notice of the department in July 2010, the department stated in November 2010 that the work of investigation undertaken to unearth massive evasion of tax, the handling of economic offences which required utmost care and devotion of the entire department, coupled with the paucity of man power hindered the department from undertaking more cases of scrutiny assessment.

The department, however, stated in October 2010 that 4,663 cases pertaining to the assessment year 2008-09 were selected for scrutiny/detailed assessment. The details of assessment cases taken up for scrutiny as subsequently furnished by the assessing authorities are mentioned below:

	2007-08	2008-09	2009-10
Number of assessments taken up for scrutiny (excluding Puducherry-I)	1,773	2,854	1,775*
Number of cases finalised	78	155	22
*Details pertain to two circles (Puducherry II and Industrial assessment circle) only; in respect of the other circles (Industrial wing, Mahe, Karaikal and Yanam), cases have not yet been selected.			

In view of the discrepancies in the figures furnished by the assessing authorities on two different occasions, audit was not able to ascertain the exact number of cases which were taken up for scrutiny.

The department further stated that the VAT audit manual prescribes that one third of the cases should be taken up for scrutiny every year so as to cover all the cases in a cycle of three years.

The above information furnished by the department indicates that the number of cases selected for tax audit did not conform to the standards laid down in the Manual. Further, the number of cases in which scrutiny had been completed was also extremely low.

The Government, may, therefore, consider bringing in suitable provisions in the PVAT Act to provide for a fixed percentage of self assessments to be taken up for detailed scrutiny each year and also prescribe a time limit within which the scrutiny should be completed.

4.9.13 Input tax credit

The essence of VAT lies in providing set off for the tax paid on purchases and this is accomplished by allowing the dealer input tax credit (ITC). The entire design of VAT with input tax credit is crucially based on the documentation of tax invoices. It is essential to ensure that the quantum of credits as claimed, have been paid into the Government exchequer by the preceding dealers and there should be zero tolerance on this aspect.

The return in 'Form I' did not have a provision for furnishing the details of purchases and sales upto October 2008. Audit noticed through test check of returns conducted between February 2010 and June 2010 that in 78 cases, claim of ITC for ₹ 1.59 crore was made during 2007-08. In the absence of the purchases and sales details, it would not be possible to ensure the correctness of the ITC claimed by the dealers.

By an amendment made in November 2008, Annexures II and III relating to sales turnover and purchase turnover details respectively were required to be filed along with the return in 'Form I'. However, the said annexures do not require furnishing of Tax Payers Identification Numbers of the dealers from whom or to whom the purchases or sales of goods had been effected.

In the absence of the above vital details in the returns, the correctness of the claim of ITC could not be ensured by cross verification. The department has not evolved any procedure for verification of tax invoices and no instructions were issued in this regard to the assessing authorities.

The department stated in November 2010 that in the model return form provided under the Commercial Taxes Mission Mode Program by the Ministry of Commerce, Government of India, there was no requirement for furnishing the TIN of the dealer from whom or to whom the purchase or sale of goods had been effected. The department further stated that while laying down the criteria for selection of general audit, cases which involve ITC

have been given higher weightage and there is a system for checking a dealer's ITC with the output tax of the seller.

The Government may consider prescribing that crucial information like TIN and details of purchases and sales may be submitted with the returns to enable cross verification of the information.

4.9.14 Reduction in rates of taxes/Grant of exemption – Deviations from the recommendations of the Empowered Committee

The main objective of the implementation of Value Added Tax Structure was to bring about a uniform rate of tax on commodities among the States. The White Paper on State level VAT emphasised that the unhealthy sales tax war among the States should end and the sales tax rates would need to be harmonised by implementing uniform floor rates of sales tax for different categories of commodities. The White Paper envisaged only two basic VAT rates of four *per cent* and 12.5 *per cent* and a special VAT rate of one *per cent* for gold and silver ornaments, etc. thereby doing away with multiple rates.

- At the time of introduction of PVAT Act, the tax structure contained three rates, viz., one, four and 12.5 *per cent* for goods. Subsequently, by issue of notifications, the rates of tax of about 208 commodities were reduced, apart from introduction of two new tax rates, viz., six *per cent* and eight *per cent*.
- The number of commodities prescribed by the Empowered Committee for inclusion in the exempted category was 56, whereas 86 commodities have been included in the list of exempted goods under the First Schedule to the PVAT Act.
- The Empowered Committee specified that small dealers with gross annual turnover not exceeding ₹ five lakh should not be liable to pay VAT and the States should have flexibility to fix the threshold limit within ₹ five lakh. However, the threshold limit of ₹ 10 lakh was adopted from 1 July.2007 to 31 October 2008.

The introduction of two more rates of tax, viz., six *per cent* and eight *per cent* and reduction of rates for a number of commodities to one *per cent*, which was reserved for gold and silver ornaments was against the principles of the VAT regime, which sought to rationalise the tax rates across the country.

The department justified the lower tax rates as the need for the UT administration to maintain the same revenue trend to meet its social obligation as higher tax rates would remove the attraction for the Puducherry market and result in flight of industries from the UT.

- The claim of VAT loss compensation of ₹ 44.72 crore preferred by the Government of Puducherry for the year 2007-08 was disallowed by the Government of India on the ground that the deviation in tax rates involved a tax loss of ₹ 68.57 crore and such loss was not entitled for compensation.
- By a notification issued on 1 July 2007, the rate of tax in respect of motor starters, wires and cables for agriculture purpose was reduced from 12.5 per cent to 4 per cent. However, no mechanism has been prescribed to ensure that the sale of these items was made for the intended purpose.

4.9.15 Absence of provision for proportionate fixation of turnover

Section 19(1) of the PVAT Act affords an option to the dealers of paying tax at the compounded rate of 0.25 per cent (0.5 per cent from October 2008) of his taxable turnover in cases where the sales turnover under the PVAT Act and under the CST Act in a year does not exceed ₹ 50 lakh. The PVAT Act, however, did not provide for proportionate restriction of turnover limit for claim of compounding payment of tax to ₹ 37.50 lakh for the year 2007-08 as it was introduced with effect from 1 July 2007.

Audit noticed that eight dealers whose turnover under the PVAT Act for the year 2007-08 was in excess of ₹ 37.50 lakh had exercised the option to pay tax at the compounded rate of 0.25 per cent instead of at the scheduled rates. This resulted in foregoing of revenue of ₹ 28.30 lakh.

4.9.16 Internal control mechanism

Internal control mechanism in an organisation provides reasonable assurance of accomplishment of objectives. It enables the controlling authorities to ensure proper discharge of the activities by various functionaries at different levels and adherence to the applicable rules and regulations. The existence of an effective internal control mechanism ensures correction of systems and procedures providing a concurrent support system to the administration.

Information regarding the prescription of periodical returns/reports for extracting information from the field offices, preparation of administrative report, existence of departmental manual, prescribing of registers for administering the Act, periodical inspections, etc. was sought by audit. The same, however, was not furnished. Hence, audit could not ascertain the efficiency or effectiveness of the internal control mechanism existing in the department.

4.9.16.1 Internal audit

Internal audit, which provides reasonable assurance of proper enforcement of the laws, rules and departmental instructions, is a vital component of internal control. It is generally defined as the control of all controls to

enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

Audit observed that the internal audit of the assessments, receipts and refunds was not being conducted by the department. The department stated in October 2010 that under the VAT regime, no internal audit was conducted due to dearth of staff in the internal audit wing. As against the total sanctioned strength of five posts, the actual strength as on 30 September 2010 was one ACTO only and the remaining post of Assistant Commissioner (A&I), DCTO and two posts of ACTO were lying vacant.

The Government may take steps to operationalise the internal audit wing by filling up the vacancies. The scope and modalities of the functioning of the internal audit wing also needs to be defined.

4.9.17 Other points of interest

4.9.17.1 Time frame for claim of refund

According to Section 16(4) of the PVAT Act, where the dealer has not made a claim for refund within the prescribed period from the date of accrual of such ITC, such credit shall lapse to the Government.

According to the provisions of Rule 28(3) of the PVAT Rules, the claim for refund shall be preferred in 'Form W' before the assessing authority having jurisdiction over the assessee and the refund shall be made to the dealers within a period of ninety days from the date of receipt of such claim for refund.

Though the time frame for effecting refund has been prescribed, the time frame within which the claim has to be preferred by the dealers has not been prescribed so far.

The department stated in November 2010 that the Act provides for filing of revised return within three months from the close of the year to which such return relates. The department further stated that prescribing any time limit would not be a constitutionally valid exercise of the legislative powers of the State and would be struck down by the judiciary.

The reply is not acceptable as the Act provides that the claim of refund should be preferred within the prescribed period and such period should be defined in the Rules. Such a time limit has been prescribed in other Acts. For instance, the Tamil Nadu Value Added Tax Rules provides that the application for refund should be filed within 180 days from the date of accrual of the claim.

4.9.17.2 Terms not defined in the Act

According to Section 8(2) of the PVAT Act, in respect of medium and large scale industries, an application for registration shall be accompanied by a

fee of ₹ 10,000. However, the terms ‘medium and large scale industries’ have not been defined in the PVAT Act.

After we pointed this out, the department stated in November 2010 that the licences issued by the Ministry of Industries, Government of India have been adopted for the purpose of registration under the VAT Act.

In view of separate norms applicable for registration, the said terms should have been defined to that extent in the Act.

4.9.17.3 *System to watch the issue of pre-revision notices*

The assessment procedures mentioned in Sections 24, 25 and 30 of the PVAT Act require issue of pre-revision notices to the assesseees. However, no system exists for watching the disposal of revision cases.

The department stated in November 2010 that there was a system of submitting fortnightly information by the assessing officers in the assessment division and through this reporting system, the entire work of the field level officers were monitored.

It is recommended that a suitable register be maintained in the individual assessment circles for recording the details of issue of pre-revision notices and for monitoring timely finalisation of the revision cases.

4.9.17.4 *Absence of mechanism to evaluate the prices*

The Empowered Committee envisaged a fall in the prices of commodities after the introduction of VAT. Information regarding the attempt made by the department to evaluate the impact of the Act on prices through a comparison of the prices of the selected commodities prior to and subsequent to the introduction of VAT was called for. It was observed that the Government has not assessed the impact of VAT on the prices of commodities to check if the benefit of reduction in tax rates had been passed on to the general public.

The Government needs to monitor these prices so that the benefit of reduction in tax rates is passed on to the general public.

4.9.18 Conclusion

The review revealed that no specific order was received from the Government for formation of VAT cell. The constitution of the VAT cell was only an internal arrangement and no additional post was sanctioned. The department had not addressed the transitional issues sufficiently leading to a number of system deficiencies. The department failed to formulate a time bound action plan for finalisation of assessments pertaining to the erstwhile PGST Act. The format of various types of returns prescribed

under the PVAT Rules was found to be deficient to elicit all the required details from the assessee and for ensuring the correctness of the claim of ITC. The tax rate structure under the PVAT Act has deviated from the agreed concept of uniform floor rates of commodities across all the States.

4.9.19 Recommendations

The Government may consider:

- formulating an effective action plan to facilitate and monitor the finalisation of assessments at the earliest;
- modifying the return in form 'K' in order to make it compatible with the provisions of the Act/Rules;
- prescribing a statutory percentage of self assessment cases to be taken up for detailed scrutiny each year and a time limit within which the scrutiny has to be completed; and
- prescribing minimum information like TIN, details of purchases and sales to be submitted with the returns to make them self sufficient and eligible for cross verification.

4.10 Application of incorrect rate of tax

As per entry 20 of Part I of the First Schedule to the Pondicherry General Sales Tax Act, 1967, plastic articles were taxable at the rate of eight *per cent* at the point of first sale in the State. Similarly, as per entry 37 of Part I of the First Schedule to the PGST Act, cooked food was taxable at the rate of eight *per cent* at the point of first sale in the State. Accordingly, HDPE pipes and sweet and snacks sold under the brand name 'Haldiram' were taxable at the rate of eight *per cent*.

Test check of the records in Pondicherry-I assessment circle indicated that the assessing officer, while finalising the assessment of two dealers for the years 2004-05 and 2005-06 in December 2007 and March 2008, levied tax at the rate of three *per cent* on the sales turnover of HDPE pipes and branded sweets and snacks (Haldiram) amounting to ₹ 1.21 crore, instead of at the applicable rate of eight *per cent*. This resulted in short levy of tax of ₹ 6.03 lakh.

After this was pointed in February 2009, the assessing authority revised the assessments in July/October 2009 and raised an additional demand of ₹ 6.03 lakh.

The matter was reported to the Government in April 2010. The Government accepted the audit observations and stated that the amount of ₹ 3.61 lakh in

one case had been collected. The Government further stated that the appeal filed by the dealer in respect of the other case is pending. The outcome of the appeal filed by the dealer is awaited (November 2010).

ELECTRICITY DEPARTMENT

4.11 Non-collection of dues from defaulters due to delay in proposing recovery

As per the terms and conditions of supply of power, monthly electricity bills are to be paid by high tension (HT) consumers within 15 days from the date of issue of bills, failing which the consumers are liable to pay belated payment surcharge (BPSC) at prescribed rates. A sum equal to two times the average consumption for the preceding 12 months should be collected/held as security deposits for due payment of monthly electricity bills by the consumers. If the consumer fails to pay the bill amount within 15 days, the department may, after allowing seven days' grace time, order for disconnection of the power supply.

Scrutiny of records (January 2009) of the Superintending Engineer-I, Puducherry (SE) revealed that two HT consumers¹ had not paid electricity bills amounting to ₹ 3.76 crore since September 2006 and October 2006 respectively. Even though the consumers defaulted in payment, the power supply to the consumers was disconnected only in January 2007.

After this was pointed, the department adjusted the available security deposits² of the consumers and raised (August 2010) demand for ₹ 8.54 crore³. The department stated (November 2010) that action had already been initiated to recover the dues under the Revenue Recovery Act and the same was under process. However, it was noticed that the proposal for recovery under the Revenue Recovery Act was sent to the Collector, Puducherry in December 2010 only.

Thus, inaction on the part of the department resulted in non-collection of arrears from the HT consumers for more than four years.

The matter was referred to the Government in July 2010; their reply had not been received (November 2010).

¹ M/s Mittal Ispat Ltd. and M/s Sharda Castings Ltd

² ₹ 1.80 crore

³ Balance electricity charges ₹ 1.96 crore, belated payment surcharge of ₹ 3.21 crore and minimum demand charges of ₹ 3.37 crore.

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of Union Territory of Puducherry Public Sector Undertakings

Introduction

5.1.1 The Union Territory Public Sector Undertakings (PSUs) consisting of Government Companies were established to carry out commercial activities keeping in view the welfare of people. As on 31 March 2010, there were 13 Government companies (all working) and none of them was listed on the stock exchange(s). The PSUs registered a turnover of ₹ 308.53 crore as per their latest finalised accounts as of September 2010. This turnover was equal to 2.62 *per cent* of State Gross Domestic Product (GDP) for 2008-09. The major activities of PSUs are concentrated in financing and manufacturing sectors. The PSUs incurred an aggregate loss of ₹ 46.79 crore as per their latest finalised accounts. They had employed 6,586 employees as of 31 March 2010.

5.1.2 No PSU was either established or closed during 2009-10.

Audit mandate

5.1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes a subsidiary of a Government Company.

5.1.4 The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956.

Investments in State PSUs

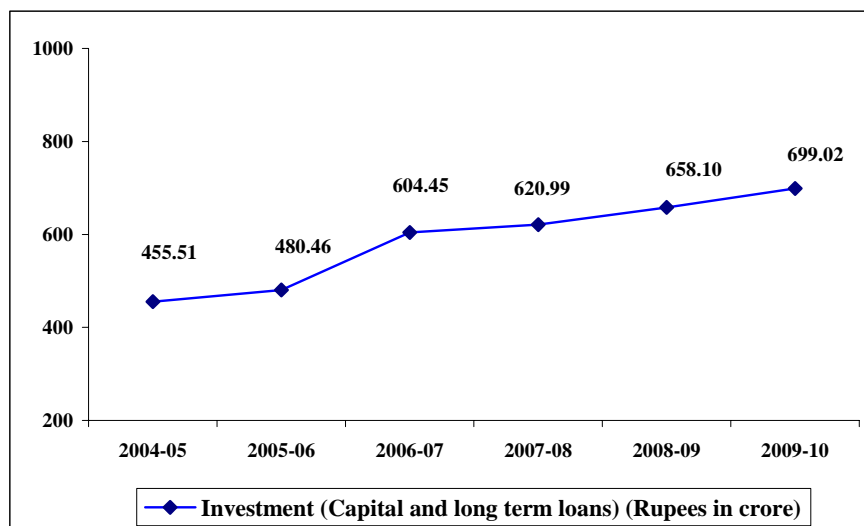
5.1.5 As on 31 March 2010, the investment (capital and long-term loans) in 13 PSUs was ₹ 699.02 crore as per details given below:

(₹ in crore)

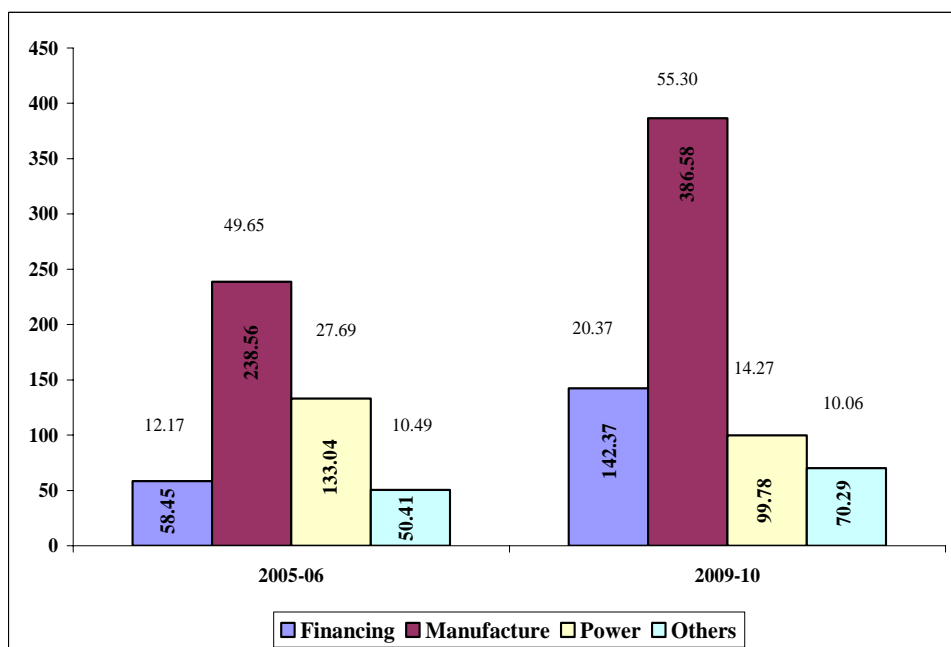
Type of PSUs	Capital	Long Term Loans	Total
Working PSUs	682.56	16.46	699.02

A summarised position of Government investment in PSUs of UT of Puducherry is detailed in **Appendix 5.1**.

5.1.6 As on 31 March 2010, of the total investment in the 13 PSUs, 97.65 per cent was towards capital and 2.35 per cent in long-term loans. The investment has grown by 45.49 per cent from ₹ 480.46 crore in 2005-06 to ₹ 699.02 crore in 2009-10.



5.1.7 The investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2010 are indicated in the bar chart.



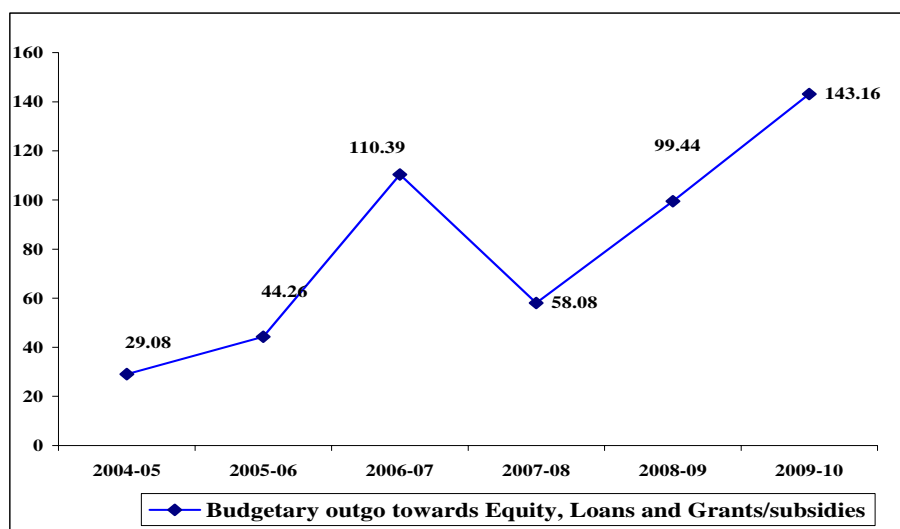
Budgetary outgo, grants/subsidies, guarantees and loans

5.1.8 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Appendix 5.3**. The summarised details are given below for three years ended 31 March 2010. While seven companies received budgetary support from the Government of UT of Puducherry, one PSU viz., Puducherry Power Corporation Limited had remitted ₹ 33.26 crore of share capital to the Government of UT of Puducherry.

(₹ in crore)

Sl. No	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from budget	7	32.05	7	40.52	7	65.72
2.	Loans given from budget	---	---	1	0.95	--	--
3.	Grants/Subsidy received	5	26.03	5	57.97	5	77.44
4.	Total outgo (1+2+3)	9 ¹	58.08	9 ¹	99.44	8	143.16
5.	Guarantee Commitment	1	3.19	1	3.19	1	4.97

5.1.9 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past six years are given in the graph below:



¹ These are the actual number of Companies which have received budgetary support in form of equity, loans and grants from the UT Government during the respective years

In respect of Pondicherry Corporation for Development of Women and Handicapped Persons Limited and Puducherry Backward Classes and Minorities Development Corporation Limited, the entire loss is met by the Government of the UT of Puducherry by way of subsidy. During the last five years upto 2009-10, the Government of Puducherry did not waive any loan in respect of any of the PSUs.

5.1.10 As regards guarantee commitment, only Puducherry Adi Dravidar Development Corporation Limited availed the Government of India guarantee against which ₹ 4.97 crore was outstanding as on 31 March 2010. No guarantee commission was payable to the UT Government by the Company.

Reconciliation with Finance Accounts

5.1.11 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of the UT of Puducherry. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts 2009-10	Amount as per records of PSUs	Difference
Equity	672.50	672.19	0.31
Loans	4.03	7.49	3.46

5.1.12 Audit observed that the differences occurred in respect of three PSUs and the differences were pending reconciliation over a period of four years upto 2009-10. The UT Government and the PSUs should take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

5.1.13 The financial results of PSUs are detailed in **Appendix 5.2**. The ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. Table below provides the details of PSUs turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)

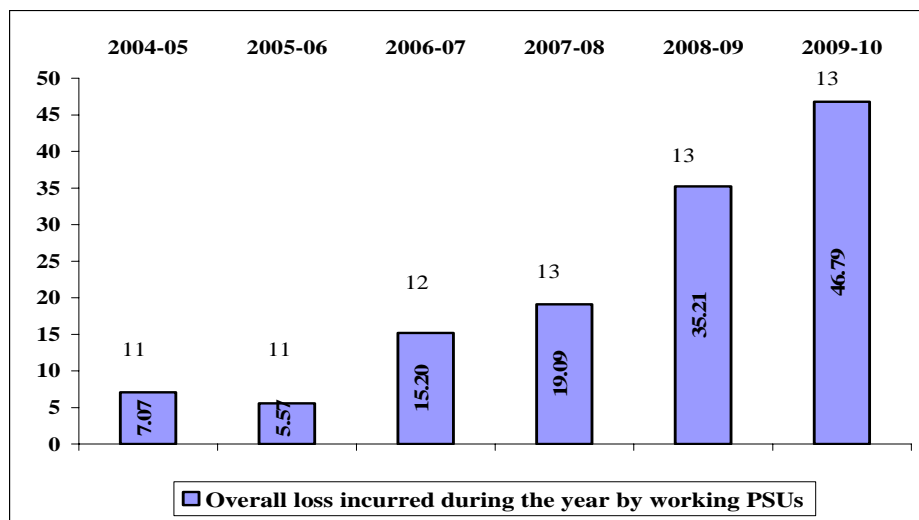
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover	246.69	209.40	343.31	307.39	399.89	308.53 ²
State GDP	5,192	6,214	6,401	7,103	11,773.57	11,773.57 ³
Percentage of Turnover to State GDP	4.75	3.37	5.36	4.33	3.40	2.62

² Turnover as per latest finalised accounts as of 30 September 2010.

³ The State GDP for 2009-10 was not available.

The decrease in overall turnover during current year over the previous year was due to reduction in premium lease income of ₹ 74.94 crore of Pondicherry Industrial Promotion Development and Investment Corporation Limited and reduction in turnover in respect of Pondicherry Textiles Corporation Limited (₹ 16.74 crore).

5.1.14 The overall losses incurred by the UT PSUs during 2004-05 to 2009-10 are given below in the bar chart.



During the year 2009-10, out of 13 PSUs, four PSUs earned profit of ₹ 17.60 crore while seven PSUs incurred loss of ₹ 64.39 crore leading to overall loss. Two working PSUs prepared their accounts on a 'no profit no loss' basis. The major contributors to profit were Puducherry Power Corporation Limited (₹ 11.09 crore), Puducherry Distilleries Limited (₹ 4.05 crore) and Pondicherry Industrial Promotion Development and Investment Corporation Limited (₹ 1.98 crore). Heavy losses were incurred by Pondicherry Textiles Corporation Limited (₹ 47.89 crore) and Swadeshee-Bharathee Textile Mills Limited (₹ 11.17 crore).

5.1.15 The losses of PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of CAG showed that the UT PSUs incurred avoidable expenditure/loss of revenue to the extent of ₹ 8.21 crore and infructuous investment of ₹ 1.21 crore, which could have been controlled with better management. Year wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	(19.09)	(35.21)	(46.79)	(101.09)
Controllable losses as per CAG's Audit Report	0.42	6.83	0.96	8.21
Infertuous investment	---	1.21	---	1.21

5.1.16 The above losses pointed out by Audit Reports of CAG were based on test check of records of PSUs. The actual controllable losses could be much more than this. With better management, the losses could be minimised. The PSUs can discharge their role efficiently only if they are financially prudent. This points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.17 Some other key parameters pertaining to State PSUs are given below:

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (Per cent)	NIL	NIL	NIL	NIL	NIL	NIL
Debt	3.79	6.81	40.40	14.89	11.48	16.46
Turnover	246.69	209.40	343.31	307.39	399.89	308.53
Debt/Turnover Ratio	0.02:1	0.03:1	0.12:1	0.05:1	0.03:1	0.05:1
Interest Payments	4.11	3.71	3.86	4.54	7.25	10.49
Accumulated Losses	146.57	155.64	144.74	211.36	263.76	268.60

5.1.18 As per latest finalised accounts of PSUs as on 30 September 2010, the capital employed worked out to ₹ 561.28 crore and total return thereon amounted to ₹ (-)36.30 crore. This is in comparison to capital employed of ₹ 381.76 crore and return on capital employed of ₹ (-)2.96 crore in 2004-05. Thus, during the last five years overall return on capital employed remained negative.

5.1.19 The State Government had not formulated any policy for payment of minimum dividend on the paid up share capital contributed by it. As per their latest finalised accounts, four PSUs earned an aggregate profit of ₹ 17.60 crore and three PSUs⁴ declared a dividend of ₹ 5.64 crore.

Arrears in finalisation of Accounts

5.1.20 The accounts of the companies for every year are required to be finalised within six months from the end of the relevant financial year under

⁴ Pondicherry Industrial Promotion Development and Investment Corporation Limited (₹ 0.63 crore), Puducherry Power Corporation Limited (₹ 5.02 crore) and Puducherry Distilleries Limited (₹ 0.81 crore).

Sections 166, 210, 230 and 619 of the Companies Act, 1956. The table below provides the details of progress made by PSUs in finalisation of accounts by September 2010.

S.No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of PSUs	12	13	13	13	13
2.	Number of accounts finalised during the year.	7	8	12	13	13
3.	Number of accounts in arrears	13	19	20	20	20
4.	Average arrears per PSU (3/1)	1.08	1.46	1.54	1.54	1.54
5.	Number of PSUs with arrears in accounts	9	11	12	13	13
6.	Extent of arrears	1 to 2 years	1 to 3 years	1 to 3 years	1 to 3 years	1 to 3 years

5.1.21 It could be seen from the table that number of companies piling up arrears in finalisation of accounts had been on the increase from nine companies in 2005-06 to thirteen companies in 2008-09 and 2009-10. Further, the extent of arrears remained the same at 1 to 3 years during the four years ending 2009-10. The reasons for delay in finalisation of accounts are attributable to (i) lack of qualified personnel in accounts department and (ii) accounting centres being distant apart compilation of accounts became difficult.

5.1.22 The Government had invested ₹ 213.99 crore (Equity: ₹ 71.17 crore, Loans: ₹ 0.95 crore, Grants/Subsidies: ₹ 141.87 crore) in nine PSUs during the years for which accounts have not been finalised as detailed in **Appendix 5.4**. In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred were properly accounted for, the purpose for which the amount was invested had been achieved or not and thus Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts also has the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.23 The administrative departments have the responsibility to oversee the activities of these entities and ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed periodically by Audit, of the arrears in finalisation of accounts, no remedial measure was taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (April 2010) with the Chief Secretary to UT Government to expedite the finalisation of accounts in arrears.

Accounts comments and Internal Audit

5.1.24 Thirteen companies forwarded their thirteen accounts to CAG during the year 2009-10. Of these, 11 accounts of 11 companies were selected for

supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.21	1	0.01	1	0.88
2.	Increase in loss	1	3.31	2	12.74	1	7.53
3.	Errors of classification	---	---	1	0.10	1	0.52
	Total	2	3.52	4	12.85	3	8.93

The money value of comments increased from ₹ 3.52 crore for two accounts in 2007-08 to ₹ 8.93 crore for three accounts in 2009-10.

5.1.25 During the year, the statutory auditors had given unqualified certificates for seven accounts, qualified certificates for five accounts and disclaimer for one account. Additionally, CAG, during the supplementary audit, gave adverse comments on two accounts but subsequently withdrew the comments due to revision of their accounts by the companies.

5.1.26 Some of the important comments in respect of accounts of companies are stated below:

Puducherry Agro Services and Industries Corporation Limited (2007-08)

- Overstatement of profit of ₹ 0.88 crore due to non-provision of leave encashment benefits as per actuarial valuation.

Pondicherry Corporation for Development of Women and Handicapped Persons Limited (2006-07)

- The Company utilised ₹ 0.52 crore for payment of salaries to Anganvadi workers from out of the corpus fund grant received (₹ 1.12 crore) for construction of Anganvadi building in contravention of the rules of the corpus.

Pondicherry Textiles Corporation Limited (2008-09)

- The Statutory Auditors expressed their inability to give an opinion about (i) the recoverability of loans and advances amounting to ₹ 5.03 crore (ii) non-provision of interest on the loan amount of ₹ 3.47 crore on the plea that the said loan would be converted into

share capital (iii) realisability of slow moving/non-moving items valued at cost without ascertaining the net realisable value of these items.

- Understatement of loss due to non-provision of gratuity liability of ₹ 1.46 crore.
- Understatement of loss of ₹ 3.60 crore and overstatement of current assets due to accounting of voluntary retirement scheme compensation as receivable from Government of Puducherry without orders.
- Understatement of loss and overstatement of current liability due to non-provision of sales tax liability (₹ 27.45 lakh) and interest thereon (₹ 36.45 lakh).
- Understatement of loss by ₹ 1.74 crore due to non-provision of the ESI contribution on the interim relief granted to workers and contract labourers.

5.1.27 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system during the year 2009-10 is given below:

Sl. No	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2
(1)	(2)	(3)	(4)
1.	There was no system of making short term/long term business plans and review the same with actuals	5	4, 6, 8, 12 and 13
2.	Internal audit manual not prescribed	1	6
3.	Internal audit not conducted in timely manner	1	4
4.	Internal control system requires strengthening	2	5 and 13
5.	Delineated fraud policy not available	4	8, 10, 12 and 13
6.	Non-formation/non-convening of Audit Committee in compliance with Section 292-A of the companies Act, 1956	3	5, 12 & 13
7.	Non-maintenance of proper register for fixed assets	1	5

Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC) and Puducherry Agro Services Industries Corporation Limited (PASIC)

5.2 Non-Collection of Service Tax

PIPDIC and PASIC failed to collect service tax amounting to ₹ 0.77 crore as per the requirement of the Finance Act, thereby became liable to pay the tax amount along with interest amounting to ₹ 0.19 crore.

The Government of India (GOI) through various amendments to the Finance Act (Act), had brought the following services within the ambit of service tax as detailed below:

1.	Maintenance or repair services of immovable property	July 2003
2.	Garden maintenance	16 June 2005
3.	Civil works	16 September 2005
4.	Tubewell erection services	1 May 2006
5.	Renting of immovable property for furtherance of business	June 2007

Audit noticed (May/June 2010) that the following two companies did not comply with the Act in respect of collection and payment of service tax to GOI as detailed below:

PIPDIC is engaged in acquisition and development of land with necessary infrastructure facilities viz., roads, sewerage systems, street lights, water supply system, etc., for allotment to entrepreneurs. The Company collects rent for the plots and work sheds so leased out. Further, the Company maintains these industrial complexes and recovers maintenance charges from the industrial units in proportion to the area of land held by them.

PASIC is engaged in turnkey engineering projects in civil works, erection of tube wells, maintenance of bore wells, gardens and boilers in the central kitchen of mid-day meal scheme.

Therefore, immediately on the pronouncement of the above amendments, these companies had to register as service providers under Section 69 of the Act and pay the service tax to the GOI after collecting the same from their clients. But these companies had not registered themselves as service providers. Consequently, the earnings of PIPDIC amounting to ₹ 2.80 crore during 2003-04 to 2008-09 became taxable earnings and the Company became liable to pay service tax of ₹ 0.31 crore. Similarly, in respect PASIC, the tax liability for earnings of ₹ 4.76 crore during 2005-06 to 2009-10 would be to the extent of ₹ 0.46 crore. Besides, these companies

were also liable to pay interest of ₹ 0.19 crore under Section 75 of the Act (PIPDIC: ₹ 0.10 crore and PASIC: ₹ 0.09 crore). Thus, failure to collect the service tax from the clients resulted in avoidable liability of ₹ 0.96 crore.

PIPDIC replied (August 2010) that as per the opinion of their advocates and auditors, their services were not taxable services. The reply was not convincing as it was not based on any concrete evidence to prove that the activities were exempted from the ambit of service tax.

Chennai
The

(REVATHI BEDI)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 1.1
(Reference: Paragraph 1.2.5; Page 22)

List of test-checked Health Care Establishments

Sl.No.	Name of the Hospital
1.	Government General Hospital, Puducherry
2.	Jawaharlal Nehru Institute of Post Graduate Medical Education and Research (JIPMER)
3.	Primary Health Centre, Gorimedu
4.	Primary Health Centre, Kalapet
5.	Primary Health Centre, Suramangalam
6.	Primary Health Centre, Kosapalayam
7.	Primary Health Centre, Mettupalayam
8.	Primary Health Centre, Karayamputtur
9.	Primary Health Centre, Pandakkal, Mahe
10.	ESI Hospital, Puducherry
11.	Aravind Eye Hospital
12.	Mahatma Gandhi Medical College and Research Institute, Puducherry
13.	St. Joseph of Cluny Hospital, Puducherry
14.	Puducherry Medical Rehabilitation Centre, Puducherry
15.	New Medical Centre, Puducherry
16.	Jothi Eye Care, Puducherry
17.	Mahalakshmi Nursing Home, Puducherry
18.	Tersor Nursiing Home, Puducherry
19.	Manakkula Vinayagar Medical College and Hospital, Puducherry

Appendix 1.2

(Reference: Paragraph 1.2.6.3; Page 24)

Details of estimates prepared by Municipalities

Municipality	Road length for each worker	Labour charges	Supervisor salary	Hire charges of vehicles
Puducherry	350 metres	₹ 100 per day for male worker and ₹ 90 per day for female worker	₹ 120 per day	₹ 400 per day
Oulgaret	500 metres	₹ 110 per day for male worker and ₹ 100 per day for female worker.	₹ 120 per day	₹ 284.80 per hour for 2.5 hours per day
Karaikal	Different road length for each ward (Ward No.4 – 643 metres Ward No.11- 427 metres)	₹ 90 per day for sweeping. ₹ 110 per day for drain cleaning. ₹ 120 per day for collection and transportation of garbage	₹ 160 per day	₹ 330 per day (four hours)
Mahe	500 metres upto the period 2009-10. 621 metres from 2010-11.	₹ 100 per day for each female worker	₹ 130 per day	₹ 725 per load (2 loads per day)
Yanam	350 metres in Town area and 450 metres in rural areas during 2006-08. 500 metres from 2008-09.	₹ 90 per day for sweeper and ₹ 108 per day sewer cleaners	₹ 150 per day	₹ 1700 per vehicle

Appendix 1.3
(Reference: Paragraph 1.2.8.4; Page 33)

Colour coding and method of treatment

Colour Code	Waste category	Method of treatment
Yellow	Human anatomical waste, animal waste, micro biological and bio-technological waste, soiled waste contained with blood etc.	Incineration/deep burial
Red	Microbiology and bio-technology waste, soiled waste such as dressings, solid plaster casts, beddings etc	Autoclaving/micro-wave/chemical treatment.
Blue/white translucent	Needles, syringes, scalpels, blades, glass, tubings, catheters etc.	Autoclaving/micro-wave/chemical treatment and destruction/shredding.
Black	Discarded medicines and cytotoxic drugs, incineration ash and chemical waste	Disposal in secured landfill

(Source: Schedule II to Bio Medical Waste (Management and handling) Rules 1998)

Appendix 2.1
(Reference: Paragraph 2.5.1; Page 52)

Department-wise pendency of Action Taken Notes

Sl. No.	Department	Number of recommendations pending	Year of Audit Report
(1)	(2)	(3)	(4)
1.	Adi-draavidar Welfare	10	1977-78, 1994-95, 1999-2000 and 2001-02
2.	Agriculture	3	1996-97 and 1999-2000
3.	Animal Husbandry	1	1998-99
4.	Civil Supplies and Consumer Affairs	3	1998-99
5.	Commercial Taxes	2	1995-96 and 2001-02
6.	Community Development	2	1996-97 and 1997-98
7.	Co-operation	1	2001-02
8.	Education	24	1992-93, 1994-95 and 1996-97 to 2001-02
9.	Election	1	1998-99
10.	Electricity	5	1996-97 and 1999-2000
11.	Excise	1	1999-2000
12.	Finance	5	1996-97, 1998-99 and 1999-2000
13.	Finance (Housing)	2	1995-96
14.	Fisheries	3	1997-98 and 1998-99
15.	Health	35	1990-91, 1995-96, 1996-97, 1999-2000 and 2000-01
16.	Industries	20	1988-89, 1990-91, 1992-93, 1993-94, 1998-99, 1999-2000 and 2000-01
17.	Information and Publicity	1	1992-93
18.	Labour	1	1993-94
19.	Local Administration	13	1995-96, 1997-98, 1998-99, 1999-2000 and 2001-02
20.	Planning and Research	2	1995-96 and 2001-02
21.	Police	5	1997-98

(1)	(2)	(3)	(4)
22.	Public Works	26	1988-89, 1990-91, 1991-92, 1992-93, 1994-95, 1997-98, 1999-2000 and 2000-01
23.	Revenue	5	1996-97 to 1998-99
24.	Rural Development	2	1993-94 and 1998-99
25.	Science, Technology and Environment	3	2000-01
26.	Social Welfare	1	1997-98
27.	Tourism	1	1994-95
28.	Town and Country Planning	9	1994-95, 1997-98 and 1999-2000
29.	Transport	3	1994-95, 1997-98 and 1999-2000
30.	Women and Child Development	2	1996-97 and 1998-99
31.	General	6	2000-01 and 2001-02
Total		198	

Appendix-3.1
(Reference: Paragraph 3.1.8.2; Page 70)

List of schools

List of Government Schools within a distance ranging from 100 metres to 1,000 metres		
Sl. NO.	Name of the School	Nearest School (in Kms)
Government Primary Schools		
1.	GPS, Vadamaracadu	0.5
2.	GPS,Perumal koil Street,Karaikal	0.25
3.	GGPS, Karaikal	0.25
4.	GPS, Thomas Arul Street, Karaikal	1
5.	GPS,Puthuthurai	0.5
6.	GPS, Nehrunagar, Karikal	0.5
7.	GPS, Thalatherupet	1
8.	GPS, Keezhakasakudy	0.2
9.	GPS,Kilinjalmadu	1
10.	GPS,Keezhakasakudymadu	1
11.	GPS,Kottucherry, Karaikal	1
12.	GPS,Puthakudy	1
13.	GPS,Athipadugai	1
14.	GPS,Agalangan	1
15.	GPS,Kottapady	1
16.	GPS,Pandaravadai	1
17.	GPS,Nallazhandur	1
18.	GPS,Melaiyur	1
19.	GPS,Keezhavanjore	1
20.	GPS,T.R.Pattinam	0.25
21.	GGPS,T.R.Pattinam	0.5
22.	GPS,Garudapalayam,T.R.Pattinam	1
23.	GPS,Kakmozhi	1
24.	GPS,Vizhidiyur	0.5
25.	GPS,Keezhaoduthurai	1

Government Middle School		
1.	GMS,T.R.Pattinam	1
2.	Barathidasan GMS, Neravy	0.5
3.	GMS,Tirunallar	0.3
4.	GMS,Selloor	0.5
5.	GMS,Nallambal	1
6.	GMS,Ponbethy	0.1
7.	GMS,Senisr st., T.R.Pattinam	0.5

List of Govt.Primary Schools with students strength was 50 or less		
1.	GPS,Kottapady	5
2.	GPS,Konnakavaly	7
3.	GPS,Patchur	9
4.	GPS, Manapet	10
5.	GPS,Thennangudy	14
6.	GPS,Keezhaparuthikudy	18
7.	GPS,Keezhaoduthurai	30
8.	GPS,Perumal koil Street,Karaikal	36
9.	GPS,Pandaravadai	37
10.	GPS,Garudapalayam,T.R.Pattinam	41
11.	GPS,Athipadugai	44
12.	GPS,Kakmozhi	47
13.	GPS,Nallazhandur	50
14.	GPS,Melaiyur	50
15.	GGPS,T.R.Pattinam	50

List of Govt.Primary Schools with students strength between 51 and 100		
1.	GPS, Agalangan	53
2.	GGPS, Karaikal	64
3.	GPS,Keezhavanjore	84
4.	GPS, Thalatherupet	86
5.	GPS,Keezhakasakudymedu	90
6.	GPS, Keezhakasakudy	97
7.	GPS,Kottucherryper,Karaikal	100

Appen
(Reference : Paragraph 5.1.5;
Statement showing particulars of up-to-date paid-up capital, loans outstanding and

Serial number	Sector and Name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital*			Total
				Union Territory Government	Central Government	Others	
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Agriculture	26 March 1986	13.83 (3.00)	--	--	13.83 (3.00)
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	Civil Supplies and Consumer Affairs	27 September 1990	8.95	--	0.05	9.00
Sector-wise total				22.78 (3.00)	--	0.05	22.83 (3.00)
Finance							
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	Industries	17 April 1974	104.04 (72.18)	--	8.54	112.58 (72.18)
4.	Puducherry Adi-dravidar Development Corporation Limited (PADCO)	Welfare	26 September 1986	12.18 (4.00)	1.68	--	13.86 (4.00)
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	Welfare	31 March 1993	3.70 (0.23)	--	--	3.70 (0.23)
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	Welfare	31 March 1999	3.26	--	--	3.26
Sector-wise total				123.18 (76.41)	1.68	8.54	133.40 (76.41)
Manufacture							
7.	Puducherry Distilleries Limited (PDL)	Industries	8 December 1971	8.45	--	--	8.45
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELICON)	Industries	7 December 1982	--	--	0.10	0.10
9.	Pondicherry Textile Corporation Limited (PONTEX)	Industries	25 November 1985	343.27	--	--	343.27
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	Industries	4 July 2005	28.21	--	--	28.21
Sector-wise total				379.93	--	0.10	380.03
Power							
11.	Puducherry Power Corporation Limited (PPCL)	Electricity	30 March 1993	99.78~	--	--	99.78
Sector-wise total				99.78	--	--	99.78
Service							
12.	Puducherry Tourism Development Corporation Limited (PTDC)	Tourism	1 April 2005	13.24	--	--	13.24
13.	Pondicherry Road Transport Corporation Limited (PRTC)	Transport	19 February 1986	33.28	--	--	33.28
Sector-wise total				46.52	--	--	46.52
Grand total				672.19[@] (79.41)	1.68	8.69	682.56[@] (79.41)

* Paid up capital includes share application money; ~ During 2009-10, the company remitted ₹ 33.26 crore of share capital to Government of Puducherry. @ Figures in brackets in columns 5(a) and 5(d) indicate share advance held in the companies.

dix 5.1

Page 121)

manpower as on 31 March 2010 in respect of Government companies

(Figures in columns 5(a) to 6(d) are ₹ in crore)

Loans ^{&} outstanding at the close of 2009-10					
Union Territory Government	Central Government	Others	Total	Debt equity ratio 2009-10 (Previous year)	Manpower (No. of employees as on 31.3.2010)
(6a)	(6b)	(6c)	(6d)	(7)	(8)
--	--	--	--	--	641
0.94	--	--	0.94	0.10:1 (0.10:1)	302
0.94	--	--	0.94	0.04:1 (0.05:1)	943
--	--	--	--	--	156
--	--	--	--	-- (0.43:1)	57
--	--	--	--	-- (0.19:1)	1,249
--	--	8.97	8.97	2.75:1 (1.90:1)	41
--	--	8.97	8.97	0.07:1 (0.08:1)	1,503
--	--	--	--	--	100
--	--	--	--	--	10
6.55	--	--	6.55	(0.02:1) --	2,477
--	--	--	--	--	616
6.55	--	--	6.55	0.02:1(--)	3,203
--	--	--	--	--	127
--	--	--	--	--	127
--	--	--	--	--	259
--	--	--	--	--	551
--	--	--	--	--	810
7.49	--	8.97	16.46	0.02:1 (0.02:1)	6,586

[&] Loans outstanding at the close of 2009-10 represent long term loans only

Appen

(Reference : Paragraphs 5.1.13 and 5.1.27

Summarised financial results of Government companies for the latest year

Serial number	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+) / Loss (-)			
				Net Profit (+) / loss (-) before interest and Depreciation	Interest	Depreciation	Net Profit/ Loss
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2007-08	2009-10	(-) 0.46	--	0.38	(-) 0.84
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2007-08	2009-10	0.86	0.23	0.15	0.48
Sector-wise total				0.40	0.23	0.53	(-) 0.36
Finance							
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2008-09	2009-10	2.53	--	0.55	1.98
4.	Puducherry Adi-dravidar Development Corporation Limited (PADCO)	2007-08	2009-2010	0.03	0.07	0.04	(-) 0.08
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	2006-07	2009-10	0.03	--	0.03	--
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2008-09	2009-10	0.17	0.11	0.06	--
Sector-wise total				2.76	0.18	0.68	1.90
Manufacture							
7.	Puducherry Distilleries Limited (PDL)	2008-09	2009-10	4.31	--	0.26	4.05
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELICON)	2008-09	2009-10	(-) 0.22	--	--	(-) 0.22
9.	Pondicherry Textile Corporation Limited (PONTEX)	2008-09	2010-11	(-) 37.84	8.67	1.38	(-) 47.89
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2008-09	2009-10	(-) 8.99	1.41	0.77	(-) 11.17
Sector-wise total				(-) 42.74	10.08	2.41	(-) 55.23
Power							
11.	Puducherry Power Corporation Limited (PPCL)	2008-09	2010-11	22.12	--	11.03	11.09
Sector-wise total				22.12	--	11.03	11.09
Service							
12.	Puducherry Tourism Development Corporation Limited (PTDC)	2008-09	2010-2011	(-) 2.06	--	0.31	(-) 2.37
13.	Pondicherry Road Transport Corporation Limited (PRTC)	2006-07	2009-2010	(-) 0.19	--	1.63	(-) 1.82
Sector-wise total				(-) 2.25	--	1.94	(-) 4.19
Grand total				(-) 19.71	10.49	16.59	(-) 46.79

dix 5.2

Pages 124 and 129)

for which accounts were finalised

(Figures in columns 5(a) to 6 and 8 to 10 are ₹ in crore)

Turnover	Impact of Accounts comments	Paid-up capital	Accumulated profit/loss (-)	Capital employed*	Return on capital employed	Percentage return on capital employed
(6)	(7)	(8)	(9)	(10)	(11)	(12)
60.97	--	10.83	1.98	16.33	(-) 0.84	---
77.41	--	9.00	(-) 5.80	6.87	0.71	10.33
138.38		19.83	(-) 3.82	23.20	(-) 0.13	---
11.45	--	112.58	33.55	143.76	1.98	---
2.36	--	5.94	(-) 5.04	5.16	(-) 0.01	--
11.64	--	3.24	--	5.73	--	--
1.13	--	2.95	--	15.11	0.11	0.73
26.58		124.71	28.51	169.76	2.08	1.23
29.67	--	8.45	24.51	33.37	4.05	12.14
0.04	--	0.10	(-)0.18	(-)0.04	(-) 0.22	--
27.98		294.22	(-) 372.04	91.80	(-) 39.22	--
10.86	--	21.21	(-) 31.43	21.05	(-) 9.76	--
68.55		323.98	(-) 379.14	146.18	(-) 45.15	--
49.28	--	133.04	68.43	209.89	11.09	5.28
49.28		133.04	68.43	209.89	11.09	5.28
5.90	--	10.99	(-) 7.91	2.96	(-) 2.37	--
19.84	--	32.10	25.33	9.29	(-) 1.82	--
25.74		43.09	17.42	12.25	(-) 4.19	--
308.53		644.65	(-) 268.60	561.28	(-) 36.30	--

* capital employed represents net fixed assets (including capital work-in-progress) PLUS working capital except in case of finance companies, where the capital employed is worked out as a mean of aggregate of the opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance)

Appen
(Reference : Paragraph 5.1.8;

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off

Serial number	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year			
		Equity	Loans	Central Government	Union Territory Government	Others	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	3.00	--	--	--	--	--
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	--	--	--	23.66 (G) 15.97 (S)	--	23.66 (G) 15.97 (S)
Sector-wise total		--	--	--	23.66 (G) 15.97 (S)	--	23.66 (G) 15.97 (S)
Finance							
3.	Puducherry Adi-dravidar Development Corporation Limited (PADCO)	4.00	--	--	3.00 (G) 2.63 (S)	---	3.00 (G) 2.63 (S)
4.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	0.11	--	--	23.12 (G)	--	23.12 (G)
5.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	0.31	--	--	2.06 (G)	--	2.06 (G)
Sector-wise total		4.42	--	--	28.18 (G) 2.63 (S)	--	28.18 (G) 2.63 (S)
Manufacture							
6.	Pondicherry Textile Corporation Limited (PONTEX)	49.05	--	--	7.00 (G)	--	7.00 (G)
7.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	7.00	--	--	--	--	--
Sector-wise total		56.05	--	--	7.00 (G)	--	7.00 (G)
Service							
8.	Puducherry Tourism Development Corporation Limited (PTDC)	2.25	--	--	--	--	--
Sector-wise total		2.25	--	--	--	--	--
Grand total		65.72	--	--	58.84 (G) 18.60 (S)	--	58.84 (G) 18.60 (S)

(G) represents 'Grants'; (S) represents 'Subsidy'

dix 5.3

Page 123)

and loans converted into equity during the year and guarantee commitment at the end of March 2010

(Figures in columns 3(a) to 6(d) are ₹ in crore)

Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
5.09	4.97	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
5.09	4.97	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
5.09	4.97	--	--	--	--

Appendix 5.4
(Reference : Paragraph 5.1.22; Page 127)

Statement showing investments made by the Government of the Union Territory of Puducherry in PSUs whose accounts are in arrears

(₹ in crore)

Serial number	Sector and Name of the Company	Year upto which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by UT Government during the years for which accounts were in arrears			
				Equity	Loans	Grants/ Subsidy	Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2007-08	10.83	3.00 (2009-10)	--	--	--
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2007-08	9.00	--	--	20.78 (2008-09) 39.63 (2009-10)	--
Finance							
3.	Pondicherry Industrial Promotion and Investment Corporation Limited (PIPDIC)	2008-09	112.58	--	--	--	--
4.	Puducherry Adidraavidar Development Corporation Limited (PADCO)	2007-08	5.94	3.92 (2008-09) 4.00 (2009-10)	--	5.90 (2008-09) 5.63 (2009-10)	--
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	2006-07	3.24	0.23 (2007-08) 0.12 (2008-09) 0.11 (2009-10)	(0.95) (2008-09)	14.05 (2007-08) 23.70 (2008-09) 23.12 (2009-10)	--
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2008-09	2.95	0.31 (2009-10)	--	2.06 (2009-10)	--
Manufacture							
7.	Puducherry Distilleries Limited (PDL)	2008-09	8.45	--	--	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELICON)	2008-09	0.10	--	--	--	--
9.	Pondicherry Textile Corporation Limited (PONTEX)	2008-09	294.22	49.05 (2009-10)	--	7.00 (2009-10)	--
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2008-09	21.21	7.00 (2009-10)	--	--	--
Power							
11.	Puducherry Power Corporation Limited (PPCL)	2008-09	133.04	--	--	--	--
Service							
12.	Puducherry Tourism Development Corporation Limited (PTDC)	2008-09	10.99	2.25 (2009-10)	--	--	--
13.	Pondicherry Road Transport Corporation Limited (PRTC)	2006-07	32.10	1.00 (2007-08) 0.18 (2008-09)	--	--	--
	Total		644.65	1.23 (2007-08) 4.22 (2008-09) 65.72 (2009-10)	0.95 (2008-09)	14.05 (2007-08) 50.38 (2008-09) 77.44 (2009-10)	