

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 assesseees 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)