

Report of the Comptroller and Auditor General of India

for the year ended March 2011



Government of the Union Territory of Puducherry
Report No. 2

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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 starts with an introductory chapter outlining the Audit scope, mandate and the important Audit findings which emerged during the year long audit exercise. Chapter-II deals with the findings of Performance Audit in the Revenue and Disaster Management, Public Works, Social Welfare, Local Administration, Health and Family Welfare, Industries and Commerce and Education departments, while Chapter-III deals with the findings of transaction audit in the Women and Child Welfare, Public Works, Health and Family Welfare, Adi-Dravidar Welfare, Agriculture, Industries and Commerce, Art and Culture and Local Administration departments.
3. The observations arising out of audit of revenue receipts of the Union Territory 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 2010-11 as well as those which had come to notice in earlier years but could not be included in the previous Reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

CHAPTER I

INTRODUCTION

CHAPTER I

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance Audit of selected programmes and activities and compliance audit of Government departments, Government companies and autonomous bodies.

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

The Performance Audit, besides involving compliance audit, examines whether the objectives of programme/activity/department are achieved economically and efficiently.

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

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on the previous Audit Reports. Chapter-II of this Report contains findings arising out of Performance Audit of selected programmes/activities/departments. Chapter-III contains observations on audit of transactions in Government departments and autonomous bodies. Chapter-IV contains findings arising out of audit of revenue receipts of the Union Territory and Chapter-V contains findings arising out of audit of commercial and trading activities of the Union Territory (UT).

1.2 Profile of Audited entity

There are 30 departments in the UT at the Secretariat level, headed by Development Commissioners/Secretaries, who are assisted by Directors and subordinate officers under them. There are 13 Government companies and 81 autonomous bodies. These entities are audited by the Principal

Accountant General (Civil Audit), Tamil Nadu and Puducherry and the Principal Accountant General (Commercial and Receipt Audit), Tamil Nadu.

The comparative position of receipts of the UT Government and expenditure incurred by the Government during the year 2010-11 and in the preceding two years is given in **Tables 1** and **2** below.

Table 1: Comparative position of receipts

(₹ in crore)

Receipts	2008-09	2009-10	2010-11
Revenue receipts	2,459	2,841	3,200
Tax revenue	725	868	1,074
Non-tax revenue	629	643	743
Grants-in-aid and contributions	1,105	1,330	1,383
Capital receipts	--	33	--
Recovery of loans and advances	5	5	4
Public Debt receipts	444	659	854
Public Account receipts	610	836	393
Total receipts	1059	4,374	1251

Table 2: Comparative position of expenditure

(₹ in crore)

Expenditure	2008-09			2009-10			2010-11		
	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total
Revenue expenditure									
General services	624	57	681	806	65	871	833	32	865
Social services	412	547	959	489	776	1265	578	801	1379
Economic services	707	219	926	696	247	943	904	388	1292
Grants-in-aid and contributions	4	--	4	4	--	4	4	--	4
Total	1,747	823	2,570	1,995	1,088	3,083	2,319	1,221	3,540
Capital Expenditure									
Capital outlay	7	254	261	(-) 4	373	369	2	369	371
Loans and advances disbursed	*	*	3	*	*	2	2	--	2
Repayment of public debt	*	*	123	*	*	131	*	*	148
Contingency fund	--	--	--	--	--	--	--	--	--
Public account disbursements	*	*	400	*	*	613	*	*	772
Total	7	254	787	(-) 4	373	1,115	4	369	1,293
Grand Total	1,754	1,077	3,357	1,991	1,461	4,198	2,323	1,590	4,833

* Bifurcation of Non-Plan and Plan not available.

1.3 Authority for audit

The authority for audit by the C&AG is derived from Article 149 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure/receipts of the departments of Government of Union Territory of Puducherry under Section 13¹ and 16² of the C&AG's (DPC) Act. He is the sole auditor in respect of 17 autonomous bodies which are audited under sections 19(2)³ and 20(1)⁴ of the C&AG's (DPC) Act. In addition, the C&AG also conducts audit of 64 other autonomous bodies, under Section 14⁵ of the C&AG's (DPC) Act, which are substantially funded by the Government. 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 the C&AG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per provisions of Section 619 of the Companies Act, 1956. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Offices that conducted the audit

Under the directions of the C&AG, the Office of the Principal Accountant General (Civil Audit), Tamil Nadu and Puducherry and the Office of the Principal Accountant General (Commercial and Receipt Audit), Tamil Nadu conduct audit of Government departments, Corporations, Companies, Autonomous Bodies and Institutions under them which are spread all over the UT.

1.5 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments and corporations/companies of Government based on

¹ Audit of (a) all expenditure from the Consolidated Fund of UT having a legislative assembly, (b) all transactions relating to the Contingency Fund and Public Accounts and (c) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts kept in Government departments

² Audit of all receipts which are payable into the Consolidated Fund of UT having legislative assembly

³ Audit of accounts of corporations established by or under law made by Parliament

⁴ Audit of accounts of a body or authority at the request of the President or the Administrator of UT having a legislative assembly

⁵ Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of UT having legislative assembly

expenditure incurred / revenue collected, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments/corporations/companies. The departments/ corporations/companies are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Lieutenant Governor of the Union Territory under Article 149 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

During 2010-11, 185 units of various departments/organizations/companies/corporations were audited for compliance audits and performance audits.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organizations are also reported upon.

1.6.1 Performance Audit of programmes/activities

The present Report contains four Performance Audits/one long paragraph. The highlights of audit findings are given in the following paragraphs:

1.6.1.1 Performance Audit of 'Acquisition and utilisation of the acquired land for public purposes'

Revenue and Disaster Management Department acquires private lands for public purposes based on the requirements of various Government departments. A performance audit of 'Acquisition and utilisation of the acquired land for public purposes' in the Union Territory of Puducherry was taken up during March to July 2011 covering transactions relating to the period 2006-2011. The basic aim of the audit was to assess whether the land acquisition process was done as per provisions in the Land Acquisition Act, 1894 and the lands acquired were utilised by the Government

departments for the intended purposes. The Performance Audit disclosed the following:

Funds of ₹ 118.79 crore out of the funds provided for acquisition of land were drawn from the Government Account and kept in savings bank accounts in the commercial banks instead of keeping in the Public Account of the Union Territory Government.

Ninety two *per cent* of the acquired lands, some of which acquired under the emergency clause of acquisition, remained unutilised for a period ranging from four to nine years.

Even after eight years since Government decided to set up a Special Economic Zone in Puducherry, it has not been established. Land measuring 336-12-52 hectares acquired at a cost of ₹ 73.39 crore for establishment of the SEZ remained unutilised for over four years.

Land measuring 27-20-60 hectares acquired between 1995 and 2010 at a cost of ₹ 10.10 crore for distribution of free house sites to the Scheduled Caste and other economically backward class people were not allotted due to non-identification of the beneficiaries.

(Paragraph 2.1)

1.6.1.2 Performance Audit of “Sports Development and Physical Education in the Union Territory of Puducherry”

Sports development and physical education are essential components of human resource development. A Performance Audit of ‘Sports Development and Physical Education in the UT of Puducherry’ revealed some areas of concern in development of sports infrastructure and in functioning of the autonomous bodies set up for sports development.

Perspective plan and annual action plans were not formulated for development of sports and allied activities in the UT. Budget proposals for grants-in-aid were submitted belatedly by the Puducherry State Sports Council and Rajiv Gandhi School of Sports, which carried out the sports development activities.

Additional Central assistance released to the Puducherry State Sports Council for creation of sports infrastructural facilities was diverted to meet administrative expenses of the Council.

Construction of indoor stadia at Mahe and Karaikal, though sanctioned in 2004/2005 at a total cost of ₹ 12.94 crore and revised subsequently to ₹ 18.16 crore were not completed as of June 2011, despite spending ₹ 17.64 crore due to improper planning and non-provision of adequate funds in time by Government.

Land for construction of mini stadium in each commune panchayat for coaching, training, conduct of sports and games meet for the rural youth was not acquired due to non-provision of funds.

Cash awards for 309 sports persons were not distributed by the Puducherry State Sports Council on the ground of paucity of funds.

The scheme of Nutritional Diet for development of the talented students in games/sports at school level, approved in 2007 had not been implemented for want of proper playgrounds and non-finalisation of the mode of implementation.

(Paragraph 2.2)

1.6.1.3 Performance Audit of 'Utilisation of declaration forms in inter-State trade'

There was delay in uploading of details of issue/utilisation of declaration forms in TINXSYS website, adversely impacting monitoring/checking of Inter State trade. Understatement of the value of purchases by three dealers in their accounts resulted in non levy of tax and penalty of ₹ 58.85 lakh on the corresponding sales turnover.

(Paragraph 4.11)

1.6.1.4 Performance Audit of 'Stamp duty and registration fees'

- Remission of stamp duty of ₹ 25.93 lakh was incorrectly granted on documents registered by women.
- Exemption of stamp duty of ₹ 2.59 crore was incorrectly granted on sale/mortgage deeds executed by or in favour of co-operative societies.
- Misclassification of documents resulted in short levy of stamp duty and registration fees of ₹ 30.58 lakh.
- Under valuation of properties resulted in short levy of stamp duty and registration fees of ₹ 2.78 crore.
- Incorrect adoption of guideline value resulted in short levy of stamp duty and registration fees of ₹ 46.40 lakh.
- Incorrect allocation of Transfer Duty Surcharge of ₹ 27.53 lakh was made to local bodies.

(Paragraph 4.14)

1.6.1.5 Schemes implemented by Social Sector Companies of Puducherry

Transaction audit of the schemes implemented by Puducherry Adi Dravidar Development Corporation Limited (PADCO) and Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDC) revealed that:

- the companies had not prepared the data base of eligible beneficiaries at village/block level and consequently could not accurately plan their activities.
- the companies did not achieve annual targets due to avoidable delays in selection of beneficiaries.
- PADCO retained the major portion of scheme funds in interest bearing short term deposits without disbursement.
- both the companies disbursed term loans without verifying the purchase and installation of assets and its insurance.
- there were instances of selection of ineligible beneficiaries, obtaining inadequate securities, *etc.* by both the companies.
- implementation of term loans through Primary Agricultural Co-operative Banks (PACB) proved to be a failure as PACBs did not release their portion of loan to the selected beneficiaries.
- both the companies failed to monitor the schemes during and after implementation and did not install an effective recovery mechanism.

(Paragraph 5.2)

1.6.2 Compliance audit of transactions

The audit of financial transactions, test-checked in various departments of the Government and their field offices and Government companies revealed instances of loss of revenue, wasteful/avoidable expenditure, blocking of funds and other irregularities. Some of the important audit findings are given below:

Failure of the Director, Women and Child Development to verify veracity of the information regarding proof of age, income etc. furnished by the applicants resulted in inadmissible payment of old age pension of ₹ 1.23 crore.

(Paragraph 3.1.1)

Due to non-completion of the sewage conveyance system for want of funds and non-construction of collection well and pump house owing to non transfer of land, an expenditure of ₹ 4.85 crore incurred on laying of the sewer lines and construction of sewer appurtenances remained unfruitful.

(Paragraph 3.2.1)

Release of grants-in-aid to the Puducherry Agricultural Workers Welfare Society for free distribution of raincoats and mosquito nets to the Schedule Caste agricultural workers without ascertaining the actual requirement resulted in blocking of funds of ₹ 1.53 crore for one to three years.

(Paragraph 3.4.1)

Release of grant to the Puducherry Management and Productivity Council for construction of office building before allotment of land and poor planning by the Council resulted in blocking of funds of ₹ 1.05 crore over four years.

(Paragraph 3.4.2)

Foreclosure of contract for construction of the administrative and library block at the foundation stage for want of funds and non-utilisation of the same for the proposed Centre for Performing Arts and Research for more than four years resulted in idle expenditure of ₹ 66.32 lakh.

(Paragraph 3.4.3)

There was application of incorrect rate of tax in respect of an assessee resulting in short levy of tax of ₹ 1.10 crore

(Paragraph 4.12)

1.6.3 Commercial and trading activities

As on 31 March 2011, the Union Territory of Puducherry had 13 working PSUs, which employed 5,902 employees. These PSUs registered a turnover of ₹ 338.35 crore for 2010-11 as per the latest finalised accounts. This turnover was equal to 3.01 *per cent* of State GDP for the year 2009-10. The PSUs incurred an overall loss of ₹ 58.80 crore and had accumulated losses of ₹ 378.51 crore as per their latest finalised accounts.

As on 31 March 2011, the investment (capital and long term loans) in all 13 PSUs was ₹ 723.88 crore. It grew by over 19.76 *per cent* from ₹ 604.45 crore in 2006-07 to ₹ 723.88 crore in 2010-11. Financing and Manufacturing sectors accounted for 20.85 *per cent* and 55.03 *per cent* respectively of total investment in 2010-11. The Government contributed ₹ 137.18 crore towards equity, loans and grants during 2010-11.

During the year 2010-11, four PSUs earned a profit of ₹ 16.48 crore and seven PSUs incurred loss of ₹ 75.28 crore. The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of the latest Audit Reports of C&AG shows that the State PSUs incurred losses to the tune of ₹ 9.62 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 functioning of PSUs.

All the 13 PSUs of UT had arrear of 25 accounts as of September 2011. Arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts, if necessary.

(Paragraph 5.1)

Puducherry Agro Service and Industries Corporation Limited allowed inadmissible pay and allowances amounting to ₹ 1.83 crore to its employees which needs recovery.

(Paragraph 5.3)

1.7 Response of departments to the draft paragraphs

The draft paragraphs/Performance Audit were forwarded demi officially to the Development Commissioners/Secretaries of the departments concerned between June and November 2011 with the request to send their responses within six weeks. Government replies for seven out of 16 paragraphs/performance audits featured in this Report have been received. The replies, wherever received, have been suitably incorporated in the Report.

1.8 Follow up on the Audit Reports

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

- (a) Out of 97 paragraphs/reviews included in the Audit Reports relating to the years from 2004-05 to 2009-2010, departmental replies were not received for 56 paragraphs/reviews as of September 2011.
- (b) Government departments had not taken action as of September 2011 on 198 recommendations made by the PAC in respect of Audit Reports pertaining to the period 1977-78 to 2001-02.

CHAPTER II

PERFORMANCE AUDIT

CHAPTER II

This chapter includes two Performance Audit *viz.*, ‘Acquisition and utilisation of the acquired land for public purposes’ and ‘Sports Development and Physical Education in the Union Territory of Puducherry’.

REVENUE AND DISASTER MANAGEMENT, PUBLIC WORKS, SOCIAL WELFARE, LOCAL ADMINISTRATION, HEALTH AND FAMILY WELFARE AND INDUSTRIES DEPARTMENTS

2.1 Acquisition and utilisation of the acquired land for public purposes

Executive Summary

Revenue and Disaster Management Department acquires private lands for public purposes based on the requirements of various Government departments. A Performance Audit of ‘Acquisition and utilisation of the acquired land for public purposes’ in the Union Territory of Puducherry was taken up during March to July 2011 covering transactions relating to the period 2006-2011. The basic aim of the audit was to assess whether the land acquisition process was done as per provisions in the Land Acquisition Act, 1894 and the lands acquired were utilised by the Government departments for the intended purposes. The Performance Audit disclosed the following:

Funds of ₹ 118.79 crore out of the funds provided for acquisition of land were drawn from the Government Account and kept in savings bank accounts in the commercial banks instead of keeping in the Public Account of the Union Territory Government.

Ninety two *per cent* of the acquired lands, some of which were acquired under the emergency clause of acquisition, remained unutilised for a period ranging from four to nine years.

Even after eight years since Government decided to set up a Special Economic Zone in Puducherry, it has not been established. Land measuring 336-12-52 hectares acquired at a cost of ₹ 73.39 crore for establishment of the SEZ remained unutilised for over four years.

Land measuring 27-20-60 hectares acquired between 1995 and 2010 at a cost of ₹ 10.10 crore for distribution of free house sites to the Scheduled Caste and other economically backward class people were not allotted due to non-identification of the beneficiaries.

2.1.1 Introduction

The Government departments of the Union Territory of Puducherry (UT) acquire private lands for their requirements through the Department of Revenue and Disaster Management (DRDM). Acquisition of land is regulated under the Land Acquisition Act, 1894 (Act). The departments requiring lands identify the lands and after obtaining approval of the Site Selection Committee, submit their proposals to the Land Acquisition Officers (LAO) of the DRDM. The LAOs, on receipt of the proposal, take necessary steps to acquire the lands as per the provisions of the Act and instructions of the Government.

The land acquisition process involves publication of notification under Section 4(1), enquiry under Section 5(A) and publication of a declaration under Section 6 of the Act to the effect that the land is required for public purpose. Under Section 9, the LAO is required to cause public notice stating Government's intention to take possession of the land. Under Section 11 of the Act, the LAO has to make an award stating the compensation to be allowed for the land and the award should be passed within a period of two years from the date of publication of the declaration. When the LAO makes the award, he may take possession of the land under Section 16 of the Act. In cases of urgency, Section 17 of the Act empowers the LAO, on the directions of the Government, to take possession of any land needed for a public purpose on expiry of 15 days from the date of publication of notice under Section 9. In such cases, 80 *per cent* of the compensation is payable to the entitled persons before taking possession of the land. Section 23 provides for payment of additional compensation at 12 *per cent* per annum on the market value of land for the period from the date of publication of the notification to the date of award or the date of taking possession of the land, whichever is earlier. Further, in consideration of compulsory nature of the acquisition, solatium of 30 *per cent* on the market value is also payable. Under Section 34 when the amount of compensation is not paid on or before the date of taking possession of the land, interest at the rate of nine *per cent* is payable on the amount awarded from the date of taking possession for one year and 15 *per cent* thereafter until it is paid.

2.1.2 Organisational Set-up

At the Government level, the Development Commissioner-cum-Principal Secretary (Revenue) is the administrative head of the Department of Revenue and Disaster Management. The Department is headed by the Special Secretary (Revenue). In the four regions of UT viz., Puducherry, Karaikal, Mahe and Yanam, six Deputy Collectors (Revenue) have been designated as LAOs for carrying out the acquisition of lands.

2.1.3 Audit Objectives

The Performance Audit was carried out to assess whether:

- land acquisition was carried out as per provisions of the Land Acquisition Act, 1894 and the Land Grant Rules, 1975,
- funds allocated for land acquisition were utilised efficiently and economically,
- lands acquired by the user departments were utilised for the intended purposes,
- the lands leased out by Government were utilised by the lessees for the intended purposes and
- the land acquisition activities were effectively monitored.

2.1.4 Audit Criteria

The audit findings were benchmarked against the terms and conditions contained in the following:

- the Land Acquisition Act, 1894 and the Land Grant Rules, 1975.
- the General Financial Rules, 2005 and the Receipts and Payments Rules, 1983 of the Union Government.
- Guidelines and instructions of the Government on the subject.

2.1.5 Audit coverage

The Performance Audit was conducted during March to July 2011 covering the period 2006-2011 in the offices of DRDM; the District Collector, Puducherry; and Deputy Collectors (Revenue) of Puducherry, North and South, Karaikal and Mahe. Records relating to all 91 cases (529-16-01 hectares) of land acquired at a cost of ₹ 203.10 crore by six LAOs¹ during 2006-11 were examined. Four² more significant cases involving an area of 15-46-31 hectares acquired at a cost of ₹ 20.35 crore,

¹ Deputy Collectors (Revenue) Puducherry- North and South, Karaikal, Mahe and Yanam and Revenue Officer, Central University Land Acquisition Wing, Puducherry.

² (i) Construction of Medical College, Puducherry (ii) Construction of Home for Orthopaedically Handicapped Children, Karaikal (iii) Construction of Special School for Visually Handicapped and Hearing Impaired Children, Karaikal and (iv) Pondicherry Distilleries Limited, Puducherry.

though pertained to the earlier period, were also covered in audit. In addition, records of all 14³ requisitioning departments were scrutinised.

The audit objectives and criteria were discussed with the Development Commissioner-cum-Principal Secretary (Revenue), Puducherry in an entry conference held in March 2011. The audit findings were discussed with the Secretary (Revenue) and the Special Secretary-cum-Collector, Puducherry, in the exit conference held on 17 November 2011 and the Government response was taken into account while finalising the report. The audit findings are as under:

2.1.6 Financial management

Funds provided in the budget under various grants for acquisition of land for public purposes were drawn by the Drawing and Disbursing Officers of the requisitioning departments and deposited with the LAOs concerned. Out of ₹ 326.59 crore drawn from Government account by the requisitioning departments and deposited with the LAOs during 2006-11, the LAOs paid compensation of ₹ 207.80 crore to the land owners. The year-wise receipts and payments effected by the LAOs are given in **Table 1**.

Table 1: Funds received and compensation paid by the LAOs during 2006-07 to 2010-11

(₹ in crore)

Year	Funds received	Compensation paid
2006-07	106.59	56.23
2007-08	43.94	52.99
2008-09	13.71	32.37
2009-10	62.55	38.25
2010-11	99.80	27.96
Total	326.59	207.80

The unspent balance of ₹ 118.79 crore were kept by the LAOs in banks.

2.1.6.1 Parking of Government money in banks

As mentioned above, the Government orders on sanction of expenditure for acquisition of land permitted the Drawing and Disbursing officers to draw the amount provided in the budget and deposit the same with the LAOs. Though there was no authority or Government order permitting the LAOs

³ Adi Dravidar Welfare, Education, Health and Family Welfare, Industries and Commerce, Local Administration, Public Works, Revenue and Disaster Management, Social Welfare, Survey and Land records, Tourism, Electricity, Civil Supplies and Consumer Affairs, Police, Art and Culture departments.

to open savings bank accounts for keeping the Government money, the LAOs kept the funds in savings bank accounts opened in the nationalised banks and made payments to the land owners from the accounts. The bank accounts maintained by the LAOs for the purpose had a huge balance (March 2011) of ₹ 118.79 crore with the accumulated interest of ₹ 2.90 crore. As the land acquisition was a lengthy process and might take upto three years for passing awards and making payments to the land owners, money needed could be released by the Government only when it was required. Alternatively, the amount drawn in advance could have been kept in the Public Account of the Government under '8443 Civil Deposits'. When pointed out by Audit, the Finance Department directed (May 2011) the LAOs to close the savings bank accounts and deposit the amount in the Public Account. During the exit conference, the Special Secretary-cum-Collector, Puducherry, stated (November 2011) that all the LAOs had closed the bank accounts and deposited the money in the Public Account of UT Government.

2.1.6.2 Unnecessary blocking of funds

Based on an announcement (2008-09) of the then Minister for Tourism in the Assembly that land required for construction of a guest house at Tirumala would be acquired, the UT Government of Puducherry requested (May 2008) the Government of Andhra Pradesh (GAP) to allot one acre of land at Tirumala for the purpose. The GAP permitted (September 2008) the Executive Officer, Tirumala Tirupathi Devasthanam (TTD) to allot 1,000 sq.yards of land at Tirumala to the UT on payment of ₹ three crore. The Tourism Department of the UT Government paid (September 2009) ₹ three crore in the form of demand draft (DD) to TTD, even before allotment of site and raising of demand by TTD. In March 2010, TTD returned the DD stating that the required land could not be allotted in view of litigations pending in the High Court of Andhra Pradesh against allotment of land in Tirumala. The UT Government, however, revalidated (March 2010) the DD and sent it again to TTD requesting (August 2010) GAP to intervene and pursue the matter with TTD. However, TTD returned (June 2011) the amount again to the Tourism Department and no land was allotted. Thus, payment of money without obtaining confirmation for allotment of land or demand by TTD and subsequent revalidation of DD was unwarranted and it resulted in unnecessary blocking of ₹ three crore for 21 months.

2.1.6.3 Failure to refund the unutilised amount to Government

Acquisition of land for giving free house sites to SC/OEBC beneficiaries was dropped due to improper site selection and ₹49.90 lakh deposited with the LAO was not received back

The Adi Dravidar Welfare Department (ADWD) deposited (April 2009) ₹ 49.90 lakh with the LAO Puducherry South, being the tentative cost of land (01-62-00 hectare) at Pillaiyarkuppam required for the scheme of allotment of free house sites to the persons belonging to Scheduled Caste/Other Economically Backward Classes (SC/OEBC). During the course of enquiry (August 2010) by the LAO under Section 5A of the Act, it came to notice that the land identified by ADWD had no approach road and was surrounded by lands belonging to a private factory. The Site Selection Committee headed by the Secretary (Welfare) which approved the identified site in October 2007 did not verify whether the land had approach road. The ADWD directed (December 2010) the LAO to drop the proposal for acquisition as the land was not suitable for providing free house site pattas to the SC/OEBC people and requested to refund the amount with interest. The LAO had not (July 2011) refunded the amount and the objective of issuing free house sites to the SC/OEBC beneficiaries was not achieved. During the exit conference, the Secretary (Revenue) stated (November 2011) that selection of alternative site was under consideration.

2.1.6.4 Non-maintenance of cash book by the LAOs

As per Rule 13 of the Central Government Account (Receipts and Payments) Rules 1983, cash book should be maintained in form GAR 3 by all Government officers who are required to handle cash and all monetary transactions should be entered in the cash book and attested by the head of the office. It was, however, noticed in audit that three out of six LAOs⁴ did not maintain cash books for recording the transactions of bank accounts. Due to non-maintenance of cash book, the departmental cash balance was not reconciled with the bank balance, which runs the risk of misappropriation of funds. During the exit conference (November 2011), the Special Secretary-cum-Collector, Puducherry, stated that necessary instructions had been issued to the LAOs concerned to maintain cash book.

2.1.6.5 Lack of internal audit of the accounts of LAOs

The accounts of LAOs relating to receipt of funds from user departments and payment to land owners were not audited internally

Huge amount of Government money were placed at the disposal of LAOs who kept them in bank accounts. Though an Internal Audit Wing was functioning under DRDM to carry out periodical inspection of records relating to demand and collection of revenue, the transactions relating to land acquisition, receipt and utilisation of funds, and verification of vouchers were not conducted by the wing on the plea that separate staff for conducting the internal audit were not available. On this being pointed out, the Director of Accounts and Treasuries (DAT) stated (September 2011) that the vouchers for land award payments were not produced to DAT by

⁴ LAO, Puducherry North; LAO, Karaikal and LAO, Yanam

the LAOs. The DAT also requested (September 2011) the District Collector, Puducherry to inform Audit regarding the system, if any, prescribed for audit of the payments made to the land owners. Thus, there was no mechanism to ensure that the LAOs complied with the provisions of financial rules and in respect of receipts and payments relating to land acquisition.

2.1.7 Deficiencies in Land Acquisition Proceedings

2.1.7.1 Avoidable payment of interest

There was delay of three years in intimating the balance compensation amount payable to the land owners, which resulted in avoidable payment of interest of ₹ 2.19 crore

Land measuring 13-96-50 hectares was acquired by the LAO, Puducherry North, under the urgency clause and handed over (August 2005) to the Deputy Director, Sports and Youth Services, Education Department for construction of a cricket stadium and swimming pool at Kathirkamam in Oulgaret Revenue Village. Out of the estimated compensation amount of ₹ 17.99 crore payable to the land owners, 80 *per cent* of the compensation amounting to ₹ 14.39 crore was paid by the Education Department in August 2005. Subsequently, based on the request of the Health Department for construction of a medical college including the cricket stadium and swimming pool, the Education Department transferred (August 2005/March 2006) the entire land to the Health Department. However, while transferring the land neither the Education Department nor the LAO intimated the Health Department about the balance 20 *per cent* of the compensation payable to the land owners. Intimation about the balance compensation payable was made by DRDM only in May 2008, after a delay of about three years since acquisition of the land. Thereafter, the Health Department repeatedly requested (August 2008, October 2009, December 2009 and March 2010) the Government for provision of funds. Due to the delay in intimation of the 20 *per cent* compensation payable to the land owners, the total cost of acquisition of the land increased to ₹ 20.18 crore, which included interest of ₹ 2.19 crore payable to the land owners. In March 2010, Government accorded sanction for ₹ 5.78 crore, being the 20 *per cent* compensation amount and interest, but only ₹ 5.21 crore was deposited in March 2010.

Thus lack of co-ordination between the Education Department and the Health and Family Welfare Department, delay of three years on the part of the LAO to intimate the Health Department regarding the 20 *per cent* balance compensation amount payable to the land owners and delay of two years in provision of funds by the Government resulted in avoidable payment of interest of ₹ 2.19 crore. The medical college started functioning from 2010-11, but the work of construction of cricket stadium and swimming pool was yet to be started. The Secretary (Revenue) accepted the audit findings and stated (November 2011) that the balance amount would be provided in the budget of Health Department for the year 2011-12.

2.1.7.2 Delay in taking possession of land acquired under urgency clause

(i) The Site Selection Committee, constituted for approval of land for construction of 750 bedded multi-speciality hospital at Kovilpathu, Karaikal, gave approval (September 2006) for 15-51-30 hectares of land identified by the Health and Family Welfare Department. The Government ordered (January 2007) acquisition of the land by invoking the urgency clause. Notification under Section 4(1) and declaration under Section 6 for acquiring the land were issued in February 2008 and December 2008 respectively by the LAO, Karaikal. The Government sanctioned (March 2008) ₹ 6.65 crore towards the compensation and the amount was deposited (March 2008) with the LAO. Even though the Act provides for taking possession of the land on expiry of 15 days from the publication of notice under Section 9, possession of the land was taken in May 2011 only. The award was also not passed as of June 2011. During the exit conference, Secretary (Revenue) stated (November 2011) that there were requests for allocation of certain portion of the land from the Jawaharlal Institute of Post Graduate Medical Education and Research (JIPMER) and Employees' State Insurance Corporation (ESIC). He further stated that the matter was under consultation and would be expedited.

(ii) The Chief Minister assured (March 2004) on the floor of the Assembly that required land would be acquired by the Public Works Department for increasing the storage capacity of the tail end regulator across the Nandalar River in Karaikal. Approval of the Chief Secretary (2 April 2004) was accorded for invoking the urgency clause for acquiring land to an extent of 15-61-00 hectares in Varichikudi village. PWD deposited ₹ 19.59 lakh, being the tentative cost of land (March and June 2006) to the LAO, Karaikal. However, notification under Section 4 and declaration under Section 6 were issued in April 2007 and May 2008 respectively for acquiring land to an extent of 09-16-00 hectares only. The award was passed in November 2010. The compensation payable for the land was ₹ 23.50 lakh including interest of ₹ 5.64 lakh for the period from November 2007 to November 2010. Despite invoking the urgency clause of the Act for acquisition and depositing of funds with the LAO in 2006, the possession of land has not been taken even after a period of five years. In such cases, the significance of acquisition of the land by invoking the urgency clause is lost. During the exit conference, the Secretary (Revenue) accepted (November 2011) the audit view and stated that necessary instructions would be issued to the LAO to expedite the acquisition.

2.1.7.3 Lapse of land acquisition proceedings

As per Section 11A of the Act, award should be made within two years from the date of publication of declaration under Section 6, failing which, the proceedings for acquisition of land would lapse.

In order to have its own building for the Government Middle School, Koothankulam, proposal to acquire land measuring 00-22-89 hectares in Karaikal Revenue Village was forwarded (October 2005) by the Chief Educational Officer, Karaikal (CEO) to the LAO, Karaikal. Section 4 notification was issued in January 2007 and declaration under Section 6 was issued in May 2008. The tentative cost was worked out by the LAO at ₹ 32.50 lakh in the year 2005-06. This cost was revised to ₹ 80.57 lakh in the year 2010. After expiry of two years since May 2008, the LAO requested (October 2010) the CEO to place the funds for passing the award and the CEO provided the required funds of ₹ 86.59 lakh in March 2011. But LA proceedings in this case had lapsed in May 2010. The land acquisition proceedings need to be started afresh, which would result in additional expenditure due to likely increase in the market value of land. During the exit conference, the Secretary (Revenue) stated (November 2011) that due to funds constraint, there was delay in provision of funds.

2.1.8 Utilisation of the acquired land

Ninety two per cent of the lands acquired were kept unutilised for a period ranging from four to nine years

The LAOs, after taking possession of the land, hand them over to the respective user departments. The departments utilise the lands/allot the lands for purposes such as construction of Government buildings, developmental projects/implementation of schemes, distribution of free house sites etc. Out of 529-16-01 hectares of land acquired at a cost of ₹ 203.10 crore during 2006-11, 486-66-88 hectares of land (92 per cent) remained unutilised with the user departments as of September 2011 as given in **Table 2**.

Table 2: Details of land acquired and utilised during 2006-11

Department (No. of cases)	Purpose of acquisition	Acquired		Utilised		Unutilised	
		Area (ha)	Cost (₹ in crore)	Area (ha)	Cost (₹ in crore)	Area (ha)	Cost (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Adi Dravidar Welfare (21)	Free house sites to landless beneficiaries/SC/OEBC people	30-49-27	21.83	Nil	--	30-49-27	21.83
Art and Culture (1)	Expansion of Bharathiar Memorial Museum-cum-Research Centre	00-01-14	0.10	Nil	--	00-01-14	0.10
Civil Supplies and Consumer Affairs (1)	Approach road to godown	00-09-74	0.28	Nil	--	00-09-74	0.28
Education (8)	Construction of school and college buildings and provision of playground facilities	09-85-22	15.85	04-46-23	3.98	05-38-99	11.87
Electricity (2)	Construction of buildings for operation and maintenance	00-35-90	0.17	Nil	--	00-35-90	0.17

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Health and Family Welfare (6)	Construction of Mental Hospital, Community Health Centres and expansion of Mahe Government Hospital	01-90-02	2.05	00-18-57	0.07	01-71-45	1.98
Industries and Commerce (1)	Establishment of Special Economic Zone	309-64-27	70.98	Nil	--	309-64-27	70.98
Local Administration (3)	Construction of Satellite Market, Marriage Hall, Guest House and extension of graveyard	01-70-72	3.70	Nil	--	01-70-72	3.70
Police (4)	Construction of office and staff quarters and Indian Coast Guard Station	07-16-60	1.70	06-73-60	0.52	00-43-00	1.18
Public Works (21)	Construction of New Collectorate, Karaikal, formation of connecting road, construction of over head tank and pump house and augmentation of water, construction of bund/ dam	36-04-72	25.51	05-85-29	3.15	30-19-43	22.36
Revenue and Disaster Management (10)	Lands for rehabilitation of Tsunami victims and construction of emergency operation theatre	13-43-95	11.52	09-06-50	9.92	04-37-45	1.60
Social Welfare (2)	Construction of Backward Class hostels, home for aged, etc.	00-38-55	0.53	Nil	--	00-38-55	0.53
Survey and Land Records (8)	Free house sites to landless labourers	06-10-14	1.95	02-56-84	1.43	03-53-30	0.52
Tourism (3)	Tirunallar Temple Town, expansion of Airport, Land Bank Scheme	111-95-77	46.93	19-92-70	18.95	92-03-07	27.98
Total (91)		529-16-01	203.10	42-49-13	38.68	486-66-88	164.42

The audit findings on utilisation of the acquired land by few of the user departments are discussed below:

2.1.8.1 Public Works Department

Land measuring 14-31-55 hectares was acquired (June 2007) by the LAO, Karaikal invoking the urgency clause for construction of buildings for the Collectorate and other offices including the District Police Office in Karaikal. The PWD deposited ₹ 6.42 crore (May/August 2007) being 80 per cent of the total cost of acquisition to the LAO. The land was handed over to the PWD in June 2007. Expression of interest from eight firms for providing architectural designs for the proposed buildings were received by the Executive Engineer, PWD, Karaikal and forwarded (June 2007) to the Chief Engineer, PWD. But the buildings have not yet been constructed (November 2011). To an audit query, PWD replied (July

2011) that the original plan of the buildings prepared by the Architect, PWD was later modified as the Senior Superintendent of Police suggested (July 2008) to construct a separate building for the District Police Office. It was further stated that the drawings for construction of the new Collectorate were forwarded to the Architect, PWD (June 2009) and the detailed estimate of the work would be prepared after finalisation of the drawings and approval of the Planning Commission for including the work in the Annual Plan. Thus, the land acquired by invoking the urgency clause and handed over to PWD as early as in June 2007 remained unutilised even after four years due to delay in getting approval of the drawings and administrative approval of Government for the work. The award for acquisition was pending for approval of the Government. The Secretary (Revenue) stated (November 2011) that due to fund constraint, the work could not be taken up. The reply reflects the fact that the land was acquired without ensuring the fund required for construction of the buildings.

2.1.8.2 Social Welfare Department

Land measuring 01-12-46 hectares was acquired (2002, 2003 and 2006) at a cost of ₹ 44.11 lakh in Karaikal by the LAO, Karaikal for the Social Welfare Department (SWD) for the purposes of construction of a home for orthopaedically handicapped children, construction of a special school for visually handicapped and hearing impaired children and a hostel for backward class boys. In respect of construction of special school, the plan/detailed drawings were furnished by PWD to the Architect in November 2003. No further follow up action was taken by SWD. For construction of hostel for backward class boys, the site was handed over to PWD in February 2007. But SWD addressed PWD only in November 2011 to furnish the plans/estimate. In respect of construction of the home for orthopaedically handicapped children, PWD furnished (August 2007) the preliminary estimate for ₹ 2.88 crore for sanction. The estimate was revised (July 2009) to ₹ 3.44 crore due to non-allocation of funds in the previous years. In the meanwhile, the Assistant Director, SWD informed PWD that decision to construct home for the aged in the site was under consideration. Thus, even after a period of five to seven years, plan and drawings for two works were not finalised by the department and alternate proposal for construction of a home for the aged in lieu of the home for the handicapped children had been sent to Government for approval (January 2012). The Social Welfare Department failed to take serious action to get the estimates and plans prepared and obtain administrative approval from the Government.

2.1.8.3 Local Administration Department

Land measuring 00-48-24 hectares at Pandakkal for construction of a marriage hall and a guest house was acquired invoking the urgency clause (May 2003) by the LAO, Mahe at a cost of ₹ 18.36 lakh and handed over

(December 2006) to the Commissioner, Mahe Municipality. A preliminary estimate for construction of a multipurpose hall at Pandakkal was prepared for ₹ 2.07 crore by PWD in March 2010. Meanwhile, Government sanctioned grants-in-aid of ₹ 2.07 crore for the work and released (March 2007, March 2008 and March 2009) ₹ 77.37 lakh to the municipality so as to avoid lapse of grants. It was noticed that a consultant to prepare the architectural plans and drawings of the building was appointed in January 2011 only. Even though the land was acquired by invoking the urgency clause, no construction activity was started even after four years. The Commissioner, Mahe Municipality stated (July 2011) that the structural design and tender documents were awaited from the consultant.

2.1.8.4 Revenue and Disaster Management Department

The DCR (North)-cum-LAO acquired (November 2007) 00-38-75 hectares of land in Reddiarpalayam, Puducherry at a cost of ₹ 1.39 crore (₹ 41.93 lakh for the land in Survey No.9/2 and ₹ 97.55 lakh for the land in Survey No.9/6) under the urgency clause of LA Act for construction of State level and district level emergency operation centres and building for the office of DCR (North). The site at Survey No.9/2 could not be used for construction of the State level emergency operation centre as an arrack shop was functioning near the site. Therefore, the location of the centre was shifted to an alternative site at Government poromboke land at Survey No.147/7 in Saram Revenue Village. Thus, due to wrong selection of site, the land at Survey No. 9/2 acquired at a cost of ₹ 41.93 lakh remained unutilised for four years. When the Government land was available for construction in Saram village, acquisition of private land in Reddiarpalayam village at a cost of ₹ 41.93 lakh under the emergency clause was unwarranted.

2.1.8.5 Tourism Department

The Ministry of Environment and Forests (MoEF), GOI notified (February 1991) the entire Indian coastal stretches as a Coastal Regulation Zone (CRZ) and imposed certain restrictions on setting up and expansion of industries, operations or processes, etc., in the CRZ.

The Pondicherry Distilleries Limited, a public sector undertaking of the UT Government, invited (June 2001) willingness from interested Government departments, organizations, public sector undertakings to purchase its land measuring 00-53-40 hectares with a built up area of 3,205 sq.m from where distilleries was functioning earlier. The land and buildings are situated very near to the sea. The Tourism Department expressed (July 2001) its willingness to buy the land for the purpose of promoting tourism. Government sanctioned (October 2004) ₹ 1.95 crore for purchase of the said property and the sale deed was registered in January 2005. A consultant engaged in December 2004 by the Department for undertaking feasibility study, bidding process and investor

identification at a consultancy fee of ₹ 9.37 lakh, in his report (February 2005) suggested for construction of a family entertainment centre or a star hotel in the premises. The consultant further stated that the proposed activities in the site would require necessary clearance as Puducherry falls under the category III of CRZ. As per the provisions of the Environment (Protection) Act, 1986 and the Environment (Protection) Rules, 1986, no construction shall be permitted within this zone except for repairs of the existing authorised structures. Therefore, the Department could not implement the recommendation of the consultant for construction of a family entertainment centre or star hotel.

The Department had not taken into account the coastal regulation norms at the time of purchasing the said property. Thus, the hasty decision of the Department to purchase the land along with the distilleries building resulted in idle investment of ₹ 1.95 crore for over six years. During the exit conference, the Special Secretary-cum-Collector, Puducherry stated (November 2011) that a revised report complying with the CRZ norms was under preparation.

2.1.8.6 Industries and Commerce Department

Even after eight years since Government decided to set up a Special Economic Zone in Puducherry, it has not been established

In pursuance to the new Special Economic Zone (SEZ) policy announced (April 2000) by GOI with a view to provide internationally competitive and hassle free environment for export growth, the UT Government proposed (March 2003) to establish a SEZ in Puducherry and nominated (June 2003) the Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC) as nodal agency for the purpose. The site selection committee approved (July 2003) the land (348-17-50 hectares) identified by the Industries and Commerce Department at Sedarapet and Karasur villages for establishing the SEZ. Government notification regarding establishment of the SEZ was issued in August 2004 which envisaged private sector participation. PIPDIC invited (December 2004) expression of interest for selection of strategic partners for developing the SEZ. A potential developer⁵ along with his associate company⁶ was short-listed (March 2005) by a Committee headed by the Chief Secretary and was selected as strategic partner. A Special Purpose Vehicle (SPV) viz., the Pondicherry Special Economic Zone Company Limited, jointly promoted by PIPDIC and the strategic partners was incorporated (June 2006) under the Companies Act 1956 for setting up of the SEZ at an estimated cost of ₹ 283.17 crore. The Ministry of Commerce and Industry, GOI accorded (August 2006) formal approval for setting up of the SEZ and stated (September 2006) that in terms of the SEZ Rules 2006, the Central Government had to notify the SEZ before the developers could start availing the fiscal benefits under the SEZ Act, 2005.

⁵ M/s. Subhash Projects and Marketing Limited, Bangalore

⁶ M/s. Om Metals Limited, New Delhi

Land measuring 309-64-27 hectares acquired by the DCR Puducherry (South)-cum-LAO at a cost of ₹ 70.98 crore and land measuring 26-48-25 hectares already acquired at a cost of ₹ 2.41 crore by PIPDIC in 2004 for development of an Integrated Infrastructure Development project was transferred to the proposed SEZ in January 2007, subject to *ex post facto* approval of GOI. When the Industries Department approached (June 2009) the Ministry of Home Affairs (MHA), GOI, to notify the SEZ, Puducherry, the latter in consultation with the Planning Commission and Department of Economic Affairs declined (August 2009) to approve the selection of the strategic partner citing that neither technical and financial criteria was indicated in the advertisement nor bids invited on the basis of such technical and financial criteria. It further informed that there were several infirmities in the selection process of the strategic partner and there was no transparent bidding process. The MHA also advised the UT Government to cancel the entire agreement with the strategic partner and to resume the lands, if any, that had been transferred to PIPDIC or the SPV.

After receipt of the directions from MHA (August 2009), the matter was placed before the Council of Ministers (COM) in the meeting held in May 2010 and the COM deferred the matter without stating any reasons. It has not yet decided the matter (August 2011). Thus, the directions of MHA regarding cancellation of the agreement with the strategic partner and resumption of land from the SPV have not been complied with till date (August 2011). The objective of establishing the SEZ has not been achieved even after eight years. Due to non-establishment of the SEZ, the estimated export earnings of about \$ 1533 million for the first five years of operation had not materialised. The land of 336-12-52 hectares remained unutilised since 2007. The private developer had filed a writ petition in the High Court of Madras and the High Court ordered to maintain *status quo* in the matter. During the exit conference, the Secretary (Revenue) stated (November 2011) that Government was pursuing the matter.

2.1.9. Non-distribution of free house sites

Distribution of free house sites could not be taken up due to delay in finalising the beneficiaries list and demarcation of land acquired

Under the scheme of provision of house sites to the persons belonging to Scheduled Caste (SC) and Other Economically Backward Classes (OEB), the UT Government allots house sites to the eligible homeless SC/OEB people. The selection committee constituted for the purpose selects the beneficiaries after considering their applications and enquiry reports, etc. and recommends the list of beneficiaries to the Director of Adi Dravidar Welfare for onward submission to the Government for approval. After getting the Government's approval, the ADWD issues house sites/house pattas to the beneficiaries. Audit observed non-distribution of free house sites to the beneficiaries as detailed below:

(i) The Adi-Dravidar Welfare Department acquired lands measuring 18-33-61 hectares at a cost of ₹ 9.03 crore and took possession between August 1995 and October 2010. Most of the proposals for acquisition of

land were made by the elected representatives stating that there were shelterless people in their areas/constituencies. The number of beneficiaries to be covered was, however, not mentioned in the proposals. As a result, free house sites had not been allotted to the SC/OEBC beneficiaries till date (July 2011). The allotments were not made due to non demarcation of the plots by the Director of Survey and Land Records (DSLRL) and non-selection of the beneficiaries. To an audit query, the Department replied that meeting of the selection committee to select the beneficiaries could not be convened due to administrative reasons and that due to non-availability of technical persons in the Department, it had to depend on DSLRL for demarcation of the plots which took considerable time. During the exit conference, the Special Secretary-cum-Collector, Puducherry, stated (November 2011) that the caste-wise census was being done and once it was completed, the process of selection of beneficiaries would not be a problem.

(ii) Under the Land Grant Rules 1975, the Collector, and the Deputy Collector (Revenue) may grant house sites in towns and villages respectively to persons who are Indian citizens and natives of the UT following the order of priority as stipulated in the rules. The maximum area that could be assigned was 1.5 Ares (150 sq. metre) in villages and one Are (100 sq.metre) in towns. Land measuring 08-86-99 hectares was acquired in Puducherry and Karaikal regions for the purpose of allotment of house sites to landless persons at a cost of ₹ 1.07 crore (from 1998 to 2009). The land to an extent of 04-10-29 hectares acquired in Puducherry region between 1998 and 2008 was not distributed to the beneficiaries. The DSLRL stated (May 2011) that the beneficiaries' lists were not finalised by the committee till date.

In the Karaikal region, the DCR, Karaikal acquired land to an extent of 04-76-70 hectares between 2007 and 2009 for distribution of free house sites. These lands, situated in low lying areas requiring earth filling were not distributed due to non-demarcation of land by the DSLRL. The Revenue Department stated that 2976 applications received were yet to be finalised for distribution.

Thus the scheme of free distribution of sites to SC/OEBC was not largely implemented in the UT.

2.1.10 Leasing of Government Land

Government lands are leased out to trusts, industries and private organizations on lease or licence basis charging lease rents fixed by the Government. The audit findings on leasing of Government land are discussed below:

Land leased out at a reduced lease rent for a social cause was not utilised for the intended purpose

2.1.10.1 Non-utilisation of the leased land for the intended purpose

Government leased out (April 1998) 03-02-00 hectares of land in Odianpet village to a trust⁷ for establishment of homes for rehabilitation of mentally retarded children, orphans, physically handicapped children, the deaf and blind children, a rural hospital and a training centre at a lease rent of ₹ 10,000 per annum on the ground of serving social purpose as against the due lease rent of ₹ 32,616 per annum (12 *per cent* of the land value), proposed by the Revenue Department. The lease rent was reduced by the Council of Ministers under the Rules of Business of Government of Puducherry, 1963. It was noticed that only a small building with the ground and the first floor, each having an approximate built up area of 500 sq.ft, existed in the leased out land. The homes and hospital were not established even after 13 years. The building was used for conducting training classes on tailoring and computer education. It was further noticed that revision of the lease rent once in five years as envisaged in the agreement was not done. The department failed to conduct site inspection in the past to verify whether the land had been put to use by the lessee for the intended purpose. To an audit query, it was stated (August 2011) that a proposal to terminate the lease agreement for non-compliance of conditions stipulated in the lease agreement had been sent to Government. The Secretary (Revenue) stated (November 2011) that necessary action would be taken after review of status of utilisation of land by the trust.

2.1.11 Non-maintenance of the land register

It was noticed in audit that the register of lands with details such as name of the revenue village, extent of land, cost and date of acquisition, purpose of acquisition, extent of utilisation etc., was not maintained in DRDM as well as in the user departments. To an audit query, DRDM stated (December 2011) that necessary instructions had been issued (October 2011) to all the departments to prepare inventory of immovable properties.

2.1.12 Monitoring

For effective implementation and achievement of the objectives of any scheme or for carrying out any specific activity, there should be a mechanism to monitor the implementation process at periodical intervals. As per the Government guidelines, a check memo was required to be maintained by the LAOs to monitor the land acquisition so that the acquisition is completed within the time frame. Despite maintenance of the check memos by LAOs, cases of delay in acquisition resulting in lapsing of LA proceedings and avoidable payment of interest were noticed in audit which indicated the absence of effective monitoring. Large scale non-utilisation of the acquired land, lack of inventory of immovable properties and idling of funds with the LAOs reflected poor monitoring.

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The Adhi Parasakthi Charitable, Medical, Educational Trust, Melmaruvathur

2.1.13 Conclusion

Government funds drawn in advance for acquisition of land by the user departments were parked in banks by the Department of Revenue and Disaster Management. Cases of avoidable payment of interest and lapse of land acquisition proceedings due to non-passing of award within the time limits were noticed. Ninety two *per cent* of the total area of land acquired was not utilised by the user departments. Lands acquired for distribution of free house sites to the landless people were not distributed at all.

Recommendations

- Funds for land acquisition should be released only as and when required and should not be kept outside the Government Account.
- The various stages of land acquisition proceedings performed by the Land Acquisition Officers need to be monitored closely to avoid lapsing of the acquisition proceedings and additional liabilities to Government.
- Efforts should be made to expedite utilisation of the acquired land for the intended purposes.
- Distribution of house sites under the scheme of provision of free house sites to the persons belonging to Scheduled Caste and Other Economically Backward Classes should be expedited.

The above points were referred to Government in November 2011; reply had not been received (January 2012).

EDUCATION DEPARTMENT

2.2 Sports Development and Physical Education in the Union Territory of Puducherry

Executive Summary

Sports development and physical education are essential components of human resource development. A Performance Audit of 'Sports Development and Physical Education in the UT of Puducherry' revealed some areas of concern in development of sports infrastructure and in functioning of the autonomous bodies set up for sports development.

Perspective plan and annual action plans were not formulated for development of sports and allied activities in the UT. Budget proposals for grants-in-aid were submitted belatedly by the Puducherry State Sports Council and Rajiv Gandhi School of Sports, which carried out the sports development activities.

Additional Central assistance released to the Puducherry State Sports Council for creation of sports infrastructural facilities was diverted to meet administrative expenses of the Council.

Construction of indoor stadia at Mahe and Karaikal, though sanctioned in 2004/2005 at a total cost of ₹ 12.94 crore and revised subsequently to ₹ 18.16 crore were not completed as of June 2011, despite spending ₹ 17.64 crore due to improper planning and non-provision of adequate funds in time by Government.

Land for construction of mini stadium in each commune panchayat for coaching, training, conduct of sports and games meet for the rural youth was not acquired due to non-provision of funds.

Cash awards for 309 sports persons were not distributed by the Puducherry State Sports Council on the ground of paucity of funds.

The scheme of Nutritional Diet for development of the talented students in games/sports at school level, approved in 2007 had not been implemented for want of proper playgrounds and non-finalisation of the mode of implementation.

2.2.1 Introduction

Sports development and physical education are essential components of human resource development which help to inculcate comradeship and competitive spirit in students. Excellence in sports enhances the sense of achievement, national pride and patriotism. Physical education in schools is the stepping stone for success in sports and it helps to inculcate discipline, team spirit and unity. As per the 2011 census, the Union Territory of Puducherry (UT) has a population of 12.44 lakh (urban 8.50 lakh and rural 3.94 lakh). There were 182 Government and 31 Government aided schools and 190 private schools (excluding primary schools) in the UT as of March 2011 with a total student strength of 1.40 lakh. The all India position of the UT in performance of school students in the 56th National School Games conducted by the School Games Federation of India during 2010-11 was 28 out of 39⁸ States/UTs/others who participated in the annual games.

2.2.2 Organisational set up

At the Government level, the Secretary to Government (Education) is responsible for development of sports, physical education and youth activities. The Director of School Education (DSE) assisted by the Deputy Director (Sports and Youth Services) (DD) implements the schemes through the Chief Educational Officers in Puducherry, Karaikal and Mahe, Deputy Director (Women Education), Puducherry and Delegate to Director (Education), Yanam in respect of middle and high schools and through the Joint Director in respect of higher secondary schools. Promotion of sports activities are also carried out by two autonomous societies, viz., the Puducherry State Sports Council (PSSC) and the Rajiv Gandhi School of Sports (RGSS), set up and funded by the UT Government.

2.2.3 Audit Objectives

The Performance Audit was conducted to assess whether:

- plans were formulated for development of sports and physical education and were implemented effectively;
- adequate infrastructural facilities were available;
- resources were utilised economically, efficiently and effectively and
- the monitoring mechanism was adequate and effective.

⁸ 28 states, Delhi, six Union Territories and Indian Public Schools' Conference, Vidhya Bharti, Kendriya Vidhayalaya Sanghathan, Navodaya Vidhyalaya Sangathan.

2.2.4 Audit Criteria

The audit findings were benchmarked against the norms and conditions contained in the following:

- Plan documents of the UT Government of Puducherry
- Guidelines and instructions issued by the UT Government and Government of India (GOI)
- Curricula/syllabi prescribed for sports and physical education
- General Financial Rules and Receipts and Payments Rules of the GOI.

2.2.5 Audit coverage

The Performance Audit was conducted during March to July 2011 covering the period 2006-11 in the Secretariat, Education Department and Offices of the Director of School Education; the Deputy Director (Sports & Youth Services); the Deputy Director (Women Education), Puducherry; Chief Educational Officers in Puducherry, Karaikal, Mahe and Delegate to the Director of School Education, Yanam. The records of the Executive Engineers of Buildings and Roads Division, Karaikal and Public Works Division, Mahe, PSSC and RGSS and 69 out of 213 Government/Government aided schools, selected by random sampling method, were also examined. The audit objectives and criteria were discussed with the Secretary to Government (Education) during an entry conference held in March 2011. The audit findings were discussed with the Secretary to Government (Education) in the exit conference held in November 2011 and the views of the Department have been suitably incorporated in the report at appropriate places. The audit findings are as follows:

2.2.6 Planning

Non formulation of perspective/annual action plan

The PSSC, which was established in 1980-81 to advise the Government in formulation of plans and programmes for development of sports and games in the UT, had not formulated any plan. Consequently, the Department had no perspective and annual action plans. To an audit query, the Deputy Director stated that there was no perspective plan for development of sports and games in respect of all the four regions of the UT, as they were geographically and culturally different and there could be no common planning. The reply is not acceptable as the departments of UT Government have to prepare their plans taking into account the regional and cultural differences among the four regions of the Union Territory. In

the exit conference, the Secretary stated that steps would be taken for formulation of perspective plan and that annual action plans would be drawn based on the perspective plan.

2.2.7 Financial Management

Details of funds allocated under the plan and non-plan heads for sports and physical education and expenditure incurred during the period 2006-11 are given in **Table 1**.

Table 1: Details of fund allocation and expenditure

(₹ in crore)

Year	Plan		Non-plan		Total	
	Allocation (Percentage of total plan allocation)	Expenditure	Allocation	Expenditure	Allocation	Expenditure
2006-07	4.96 (0.46)	4.94	0.48	0.47	5.44	5.41
2007-08	10.74 (0.95)	10.72	0.50	0.49	11.24	11.21
2008-09	10.27 (0.57)	10.27	0.74	0.74	11.01	11.01
2009-10	9.95 (0.59)	9.94	0.91	0.90	10.86	10.84
2010-11	13.26 (0.53)	13.25	0.99	0.99	14.25	14.24
Total	49.1846.08	49.123.62	3.623.59	3.59	52.80	52.71

Source: Plan documents and Detailed Appropriation Accounts

It was noticed that the Plan funds allocated for sports development ranged between 0.46 and 0.95 *per cent* of the overall Plan outlay during 2006-11. The quantum of allocation remained more or less at the same level during 2007-11 except in 2010-11 when it increased marginally.

2.2.7.1 Release of Grants-in-aid to Societies

Government sanctioned recurring and non-recurring grants to the two societies, PSSC and RGSS. It was noticed that budget proposals for grants-in-aid were submitted belatedly by the societies, after the commencement of the financial year. The grants-in-aid released fell short of the requirements as discussed below:

As against the fund requirement of ₹ 4.12 crore for the period 2006-11, Government released ₹ 3.42 crore only to RGSS. The Principal, RGSS stated (June 2011) that it could not admit students during 2006-07 and 2008-09 as the required fund had not been allotted.

As against the fund requirement of ₹ 19.42 crore for the period 2006-11, Government released grants-in-aid of ₹ 9.79 crore only to PSSC. In 2008-09, grants-in-aid were not released as PSSC failed to furnish the

utilisation certificate for the grants released in the earlier years. Due to short release of grants, there was pendency in distribution of cash awards to eligible sports persons as discussed in paragraph 2.2.9.1(iii).

2.2.7.2 Diversion of the additional Central assistance

The Planning and Research Department of the UT Government communicated (February 2002) the allocation of Additional Central Assistance (ACA) of ₹ 4.30 crore for the specific purpose of creation of sports infrastructural facilities in UT. The UT Government released (February 2003) the ACA of ₹ 4.30 crore as non-recurring grant-in-aid to PSSC for creation of sports infrastructural facilities. PSSC maintained a separate bank account for the purpose and the amounts were kept in fixed deposits.

It was noticed that development of play fields in six schools, laying of synthetic hockey turf, development of sports infrastructure in the Indira Gandhi Sports Complex, repairs and maintenance works for the sports complex, temporary arrangements at various places for conduct of tournaments and construction of one VIP rest room in the Tennis Coaching Centre at a total cost of ₹ 3.15 crore were undertaken during 2003-11. The remaining assistance of ₹ 1.15 crore was not utilised (July 2011) by PSSC. The PSSC stated that due to administrative reasons the entire assistance could not be utilised.

The PSSC earned interest of ₹ 1.23 crore during 2003 to 2011⁹ on fixed deposits made out of the assistance. The PSSC stated (June 2011) that out of the interest earned, ₹ 70 lakh was utilised for administrative expenses of the sports council. The PSSC furnished (January 2011) utilization certificate for ₹ 3.15 crore. Scrutiny of records revealed that PSSC had a balance of ₹ 80.75 lakh only as of March 2011 in fixed deposits and in bank account as against the actual unspent balance of ₹ 1.68 crore¹⁰. The PSSC could not furnish details for the difference of ₹ 87 lakh and stated that the annual requirement of funds was higher than the grants actually released by Government and hence the central assistance was diverted for meeting the administrative charges on loan basis and that the same would be repaid from future release of grants. The reply is not acceptable as construction of sports infrastructural facilities were delayed due to non-availability of adequate funds but at the same time funds released for sports infrastructure were diverted for administrative charges. In the exit conference, the Secretary stated that due care would be taken to avoid diversion of funds in future and instructed the PSSC to utilize the unspent balance of ACA for developmental works in accordance with the guidelines.

⁹ ₹ 35.20 lakh from 2003 to 2006 and ₹ 87.93 lakh from 2007 to 2011

¹⁰ ₹ 4.30 crore + interest ₹ 1.23 crore – Utilisation Certificate : ₹ 3.15 crore – Administrative Charges : 0.70 crore

2.2.7.3 Release of funds to avoid lapsing of the budget grants

Government provided ₹ 3.77 crore to PWD in 2008-09 for construction of an indoor stadium at Keezhaveli in Karaikal district and permitted (March 2009) PWD to withdraw and deposit the amount with a Project Implementing Agency (PIA) for Tsunami Reconstruction Programme for utilising the funds in the subsequent financial year as PWD proposed (July 2008) to foreclose the contract for the work awarded in March 2007. The balance work was entrusted to another contractor on nomination basis only in February 2010 and Government permitted (March 2010) PWD to draw ₹ 2.60 crore out of ₹ 3.60 crore provided in the budget for 2009-10 and deposit the same with PIA. The two drawals from Government account were made on the last day of the financial year to avoid lapsing of the budget grant. Out of the total release of ₹ 6.37 crore, ₹ 4.45 crore remained unutilised with the PIA as of November 2011. At the same time, the stadium has not been completed as discussed in the paragraph 2.2.8.1 and 2.2.8.2.

2.2.8 Setting up of Infrastructure

Sports related infrastructural facilities are essential for imparting quality training, coaching and overall development of sports and physical education. Though Puducherry and Yanam regions had both open air and indoor stadia, in Karaikal and Mahe regions, the indoor stadia were under construction (July 2011). Completion of the indoor stadia, construction of mini stadium in each commune panchayat, acquisition of land for various infrastructural facilities, etc., were envisaged in the Eleventh Five Year Plan. The deficiencies noticed in execution of infrastructural facilities are discussed below:

2.2.8.1 Construction of indoor stadium at Keezhaveli, Karaikal

A mention was made in paragraph in 4.1.4 of the Report of the C&AG (2006-07) regarding additional liability on the work of construction of indoor stadium at Keezhaveli, Karaikal by PWD. Government sanctioned (August 2005) ₹ 5.90 crore and the work was awarded to a contractor for ₹ 5.11 crore on 1 March 2006. The work was to commence in March 2006 and was to be completed within a year. Due to delay in providing designs/drawings by PWD, the contractor withdrew (26 May 2006) from the contract, which resulted in further additional liability of ₹ 1.53 crore by way of subsequent award of the work for ₹ 6.64 crore.

Scrutiny of records revealed that on second call, though the work was awarded (March 2007) to a contractor for ₹ 6.64 crore with stipulated date of completion by April 2008, a provision of ₹ two crore only was made in the budget estimates of 2007-08. Due to paucity of funds, the department could not settle the contractor's bills. Therefore, after executing work to the extent of ₹ 2.79 crore, the contractor stopped the work (July 2008).

Though PWD proposed foreclosure of the contract in July 2008, the Works Advisory Board approved the foreclosure in September 2009 only.

After obtaining approval of the Government (January 2010), the remaining work at the estimated cost of ₹ 6.56 crore was awarded (February 2010) to a contractor on nomination basis for completion within six months. However, as of December 2011, the contractor executed work to the extent of ₹ 2.86 crore only. Further, it was noticed that a revised estimate for ₹ 1.64 crore for providing internal electrification to the stadium was pending (January 2012) for approval by the PWD and expenditure sanction for ₹ 1.81 crore for providing AC arrangements was yet to be given by the Director of School Education Department. Thus, failure of the department at various stages not only resulted in delay in completion of the project and cost overrun but also deprived the students of the facility for training in various indoor sports. In the exit conference, the Secretary stated that construction of the stadium at Karaikal would be completed within the financial year 2011-12.

2.2.8.2 Construction of indoor stadium at Thathakulam, Mahe

Government sanctioned (September 2004) ₹ 7.04 crore for construction of the stadium at Mahe. Though PWD awarded (March 2005) the civil work to a contractor at the tendered cost of ₹ 5.97 crore for completion by March 2006, the civil work was completed at a cost of ₹ 8.25 crore in February 2011 only and PWD handed over the stadium to Education Department in July 2011. The sub works for electrification and air-conditioning awarded (September 2007) to contractors at ₹ 2.42 crore and ₹ 1.61 crore respectively for completion within four months, were still in progress (October 2011) after incurring expenditure of ₹ 2.31 crore and ₹ 1.43 crore respectively. The Government accorded (March 2009) a revised expenditure sanction for ₹ 12.26 crore mainly due to excess quantity and execution of additional/substituted items of work including electrical/air conditioning work at SOR/market rate of 2007-08. Further, the Executive Engineer proposed (December 2010) provision of generator sets, installation of transformers and other miscellaneous works at an additional expenditure of ₹ 6.90 crore. Audit observed that the department failed to include the items of generator sets, transformers, etc., even at the time of preparing the revised estimate of ₹ 12.26 crore in March 2009. As a result, the stadium could not be completed in all respects and put to effective use. Due to non-completion of the stadium, the students selected for participating in the State/National level championship in Badminton had to be given training/practice in the indoor stadium at Tellicherry, Kerala.

Thus, deficiencies in preparation of the estimates, inadequate provision of funds and non-synchronization of the various item of works resulted in delay in completion of the stadium. In the exit conference, the Secretary stated that though separate power line and generator sets were not

provided, the games were being played during day time. The reply is not acceptable as electricity is very essential even during day time for an indoor stadium.

2.2.8.3 Creation of infrastructure in rural areas

In the Eleventh Five Year Plan period it was proposed to construct a mini stadium in each Commune Panchayat for coaching, training and conduct of sports, games meets for the rural youth. Suitable sites were identified by the site selection committees in all the 10 commune panchayats¹¹. Possession of the identified land in Bahour Commune Panchayat was taken in December 2008 after releasing compensation amount of ₹ 23.04 lakh to the Land Acquisition Officer. However, due to the High Court's stay order, the amount was not disbursed and the department was unable to proceed further. In Mannadipet and Thirunallar Commune Panchayats, the land acquisition proposals were withdrawn by DRDM after issue of 4(1) notification by the LAO due to non-provision of funds. In the remaining seven communes, the land acquisition proceedings were yet to be initiated due to non-provision of funds by Government. As such, the scheme of construction of mini-stadia in the communes remained a non-starter. In the exit conference, the Secretary stated that the matter would be taken up with the Commune Panchayats to identify suitable lands. The reply is not acceptable as the lands could not be acquired for want of funds.

2.2.9 Performance of the autonomous societies

2.2.9.1 Puducherry State Sports Council

The PSSC was established (1980-81) to advise the Government in all matters concerning sports and games, to formulate plans and programmes and to promote sports and allied activities in the UT. The main functions of the PSSC include providing playgrounds, stadia, gymnasium etc., sanctioning financial assistance to sports, games and youth welfare organizations, setting up of regional coaching centres and organising region-wise youth festivals, sports parade, rallies seminars etc., and establishing and running permanent coaching or training centres for training of coaches, physical education teachers, players and athletes.

(i) Non-establishment of the Regional Sports Committees

The PSSC decided (March 2005), to establish the Regional Sports Committees (RSC) in Karaikal, Mahe and Yanam for promotion and development of sports and allied activities in the respective region by organizing regional level competitions and to assist the PSSC in implementing the programmes for the region. It was noticed that though RSCs were formed in Karaikal and Mahe regions in June and September

¹¹ Ariyankuppam, Bahour, Kottucherry, Mannadipet, Nedungadu, Neravy, Nettapakkam, Thirunallar, T.R. Pattinam, and Villianur

2005 respectively, rules and regulations and by-laws were yet to be framed. In respect of Yanam region, RSC was not formed (October 2011). In the exit conference, the Secretary stated that after formation of RSCs in all the regions, framing of by-laws, rules and regulations would be considered.

(ii) Delay in release of grants-in-aid to Sports associations

In Puducherry, 23 Sports Associations were affiliated with the PSSC as of March 2011. The affiliated sports associations which conducted two state level meets in a year were entitled to annual grant of ₹ 15,000 each, reimbursement of actual expenditure incurred for participation in the sports events; organization grant of ₹ 50,000 for organizing zonal level games and ₹ one lakh for national level games.

Audit observed that the participation grant pertaining to the period 2006-07 to 2009-10 amounting to ₹ 13.89 lakh was released to the associations in 2010-11 only. Similarly, annual grants to the associations amounting to ₹ 3.90 lakh pertaining to the period 2003-04 to 2008-09 were also released in 2010-11 only. Consequently, the number of state level sports meets conducted by the affiliated associations decreased from 13 in 2007-08 to six in 2010-11. In the exit conference, the Secretary stated that the affiliated associations were conducting sports meet regularly and that details regarding number of sports meets held would be furnished to audit at the earliest. But the details were not furnished.

(iii) Cash award for meritorious sports persons

The PSSC fixed (March 2005) the amount of cash awards¹² payable to meritorious sports persons in the zonal/national/international levels of competition. It was noticed that the cash awards were not distributed to the medal winners in various disciplines during 2005-10 for want of sufficient funds. The Screening Committee constituted to scrutinize the applications found out (April 2010) that 625 out of 630 applications received were eligible for grant of the cash award. Cash award of ₹ 1.61 crore to 316 sports persons only was distributed in 2010-11. The remaining 309 applications for the cash awards were pending due to paucity of funds. In the exit conference, the Secretary stated that the cash awards for eligible medal winners would be distributed before December 2011. But, the cash awards were not distributed as of January 2012.

¹² Zonal level - Gold medal – ₹ 10,000; silver medal : ₹ 7,500 and Bronze medal : ₹ 5,000
National level - Gold medal – ₹5,00,000; silver medal : ₹ 2,50,000 and Bronze medal : ₹ 1,25,000
International : Gold medal – ₹ 10,00,000; silver medal : ₹ 7,50,000 and Bronze medal : ₹ 5,00,000

2.2.9.2 Rajiv Gandhi School of Sports

Rajiv Gandhi School of Sports (RGSS) was established in the year 1994 with the objective of providing educational excellence and coaching facilities in sports and games to the deserving young boys who possess physical potential for sports excellence. It is functioning in the premises of Indira Gandhi Sports Complex, Puducherry and training is imparted in six disciplines viz., athletic, badminton, cricket, football, hockey and volleyball.

The RGSS decided (June 2005) to start its extension centres in Karaikal and Yanam regions. It was also decided to follow the procedure of conducting selection trials in all the regions to fill up the existing vacancies in the school until establishment of centres and to transfer the candidates of Karaikal and Yanam regions admitted in the school to the regional centres as and when the regional centres were established. Even though one sports hostel under the control of the PSSC was opened in Yanam (August 2006) for boys, no extension centre/sports school was opened in Karaikal region due to insufficient release of grants-in-aid by Government.

2.2.10 Coaching

As against the total sanctioned strength of 44 coaches¹³, men-in-position as on 31 March 2011 was only 23. Moreover, performance of the coaches was not evaluated by the Department. In the exit conference, the Secretary stated that action would be initiated to evaluate performance of the coaches.

2.2.11 Physical Education

Physical education imparted at school level has a direct bearing on achievements of students in sports. Physical education training also motivates the students of the school to take up sports activities in their early childhood.

¹³ One regular coach and 43 contract coaches

2.2.11.1 Playground facilities

To impart physical education training to students at school level, playground facilities in schools are essential. From the details furnished by the Department in respect of 144 schools in UT, it was noticed that in 54 schools, playground facilities were not available. In some of the schools, sports were conducted in courtyard, road, church ground and prayer area of the schools. In the absence of playground, the students were either taken to common playgrounds or trained only in indoor games like carrom, chess, drill exercises, etc.

2.2.11.2 Syllabus for physical education

The UT of Puducherry follows the academic syllabus of the neighbouring states as no separate board for secondary and higher education was set up by the UT. Even though the DD stated that curricula/syllabi for physical education prescribed by Tamil Nadu Government is followed by the schools in Puducherry and Karaikal regions, the Principals/Headmasters of 30 schools amongst the test-checked schools in the regions stated that no syllabus for physical education was prescribed by the Department. In the Eleventh Five Year Plan period, it was proposed to teach Yoga, Karate, Judo, Teak-won-do and Kalari to the school students. But, no action was initiated as of July 2011 to introduce the same in the schools.

2.2.11.3 Identification of talented students

The UT Government proposed to identify talented students to give professional coaching during the Eleventh Five Year Plan period. So far no scheme/methodology/guidelines were formulated for identification of the talented students. In the exit conference, the Secretary stated that the aspect would be looked into.

Government approved (May 2007) the scheme of Nutritional Diet for development of the talented students in games/sports at school level. Under the scheme, the talented students identified from Government schools were to be given special training after school hours and they would be given nutritional diet free of cost to develop their physical health. The heads of institutions, where the training centres were located, were to implement the scheme and submit the list of beneficiaries every year to the Directorate by 15th June. Selected students were to be trained for 1-1/2 hours after school hours for four days in a week. It was noticed that the scheme has not been implemented. When pointed out by Audit, the DD stated (June 2011) that the schemes had not been operated for want of playground and non-finalisation of the mode of implementation.

2.2.11.4 Sports talent Scholarship

In order to help the outstanding young boys/girls in their studies, develop their talent in sports and to enable them to have nutritious diet during their studentship and to non-student youths and rural youths to develop their skills in various disciplines of sports, the UT Government introduced a scheme for award of lump-sum scholarship from 1979-80. The award under the scheme would be made on the basis of their performance in each year. As per the existing scheme guidelines, 17 scholarships¹⁴ were to be distributed to the selected persons. The guidelines were not revised since 1979-80.

The department sanctioned only 17 scholarships every year due to non-revision of guidelines even though applications ranging from 62 to 156 were received from eligible persons every year during 2006-11 as given below:

Year	Total number of applications received	Total number of eligible applications
2006-07	96	96
2007-08	159	156
2008-09	93	62
2009-10	108	85
2010-11	106	96

In the exit conference, the Secretary stated that scholarship scheme would be reviewed for further continuance in view of implementation of cash award scheme by Government.

2.2.12 Monitoring

Based on the recommendations of the National Youth Commission (July 2004), GOI suggested (April 2005) that all States should set up a separate directorate to focus attention on youth affairs. The Lieutenant Governor accorded (October 2006) in principle approval for establishment of a separate directorate for sports and youth affairs in the UT. The Joint Secretary to Government (Education) instructed (November 2006) the Director of School Education to take necessary action in this regard. As no action on the matter was taken, the directorate was not formed and thus, effective planning, implementation and monitoring of schemes relating to sports and physical education was not ensured. In the exit conference, the Secretary stated that formation of separate Directorate would be considered at the earliest.

¹⁴ 12 scholarship at ₹ 50 p.m and five awards at ₹ 500 p.a

Periodic inspections were not carried out by the departmental officers to monitor the functions of PSSC and RGSS to which grants-in-aid were released by Government.

2.2.13 Conclusion

Due to non-preparation of perspective and annual action plans, sports development activities were not carried out systematically by the Education Department and the two societies under its control. Further, due to non-provision of adequate funds, improper planning and delays at various levels, creation of sports infrastructural facilities were delayed, resulting in deprivation of benefits to the sports persons and students of the Union Territory of Puducherry.

Recommendations

- Specific long-term and annual plans with measurable goals should be evolved.
- Grants-in-aid should be released based on the actual requirements of the Puducherry State Sports Council and the Rajiv Gandhi School of Sports.
- Completion of indoor stadia at Karaikal and Mahe needs to be expedited.

The above points were referred to Government in September 2011; reply had not been received (January 2012).

CHAPTER III
AUDIT OF TRANSACTIONS

CHAPTER III

AUDIT OF TRANSACTIONS

This chapter presents the results of the audit of transactions of various departments of the Government, their field formations and 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.

3.1 Inadmissible expenditure

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.1.1 Payment of old age pension to ineligible persons

Failure of the Director, Women and Child Development to verify veracity of the information regarding proof of age, income etc. furnished by the applicants resulted in inadmissible payment of old age pension of ₹ 1.23 crore.

To extend financial assistance to old age persons, widows, deserted/unmarried women and eunuchs residing in the Union Territory of Puducherry, Government formulated (March 2005) 'The Pondicherry Old Age Persons and Destitute Pension Rules 2005' administered by the Director of Women and Child Development. The old age pension scheme stipulated that the beneficiary should be 55 years of age or a widow¹ or a deserted woman² or an unmarried woman³ or a eunuch⁴, whose annual income should be less than ₹ 24,000. The guidelines *inter alia* stated that the applicant should enclose with the application (i) a certificate of income obtained from an officer of the Revenue Department (ii) attested copy of birth certificate/proof of age and (iii) attested copy of ration card/identity card. The Director of the Women and Child Development, on receipt of applications, was required to conduct an enquiry and satisfy himself that the particulars furnished were genuine and correct. In case of doubt as to the applicant's age, the Director could call for a medical opinion from a Government Health Institution. The applicant should not be in receipt of any other financial assistance from any other sources which are fully or

¹ Above 18 years of age whose husband is dead

² Whose husband had deserted for more than seven consecutive years

³ A woman of above 40 years of age who has not entered into marriage/matrimonial union

⁴ A person of above 40 years of age, declared as an eunuch by the Medical Authority

partly funded by the Central or State Government. The rules also provided for recovery of the entire amount paid to ineligible beneficiaries from the date of sanction and prosecution if a beneficiary had deliberately furnished wrong/false information.

Out of 18,839 old age pension cases sanctioned during 2008-10 in Puducherry region, a test-check (October to December 2010) of 8,000 applications in the office of the Director of Women and Child Development disclosed the following:

Even though the guidelines had not envisaged the age given in the ration card as proof of age, the Director sanctioned pension to the beneficiaries based on the age shown in the copy of the ration card. When audit verified the age given in the applications with the data available in the Civil Supplies and Consumer Protection Department in respect of issue of ration cards, it was noticed that 751 applicants had altered their age in the photo copy of their ration cards. Despite a note printed in the ration cards by the Civil Supplies Department that the details given in the card should not be taken as proof for availing benefits of any schemes implemented by the Government, the Director sanctioned old age pension by accepting the attested photo copy of the ration cards which had false age and without verifying the original ration cards. As such, payment of ₹ 1.03 crore made from August 2008 to March 2011 to 751 ineligible beneficiaries was inadmissible.

It was further noticed that old age pension was sanctioned to 146 persons belonging to above poverty line families, based on the bogus details furnished by them, which included 19 Government servants and 23 pensioners, whose annual income exceeded ₹ 24,000 per annum. This illustrates the failure on the part of the Director to verify the veracity of information furnished by the applicants. Rupees 20 lakh paid to these persons during August 2008 to March 2011 was also inadmissible.

When pointed out, the Government stated (September 2011) that based on the Audit observation and after further examination, payment of pension to 1,426 ineligible beneficiaries were stopped from April 2011. Out of these, 685 pensioners were deleted from the beneficiary list and for the remaining 741 cases, pension was temporarily stopped pending verification of original documents. The department further stated that action had been initiated to recover the pension payments made to Government servants/pensioners from their salary/pension, besides action under Central Civil Services (Conduct) Rules. However, the reply is silent about the recovery of pension from other ineligible beneficiaries and action against them for deliberately furnishing wrong/false information.

3.2 Unfruitful/Wasteful expenditure

PUBLIC WORKS DEPARTMENT

3.2.1 Unfruitful expenditure on laying of sewer lines and construction of sewer appurtenances

Due to non-completion of the sewage conveyance system for want of funds and non-construction of collection well and pump house owing to non transfer of land, an expenditure of ₹ 4.85 crore incurred on laying of the sewer lines and construction of sewer appurtenances remained unfruitful.

Government proposed (2003) to extend sewerage facilities to Lawspet area (Zone V) in Puducherry. The Zone V was divided into two sectors and each sector was further divided into two phases. Phase I work of Sector I was proposed to be taken up in six stages. The sewage collection system viz, laying of sewer lines and construction of sewer appurtenances⁵ had three stages (I to III). The stages IV, V and VI involved construction of trunk sewer and pumping main, sewage treatment plant and pump house respectively.

Government sanctioned (November 2003 and September 2004) laying of sewer lines and construction of sewer appurtenances under stages II and III at a cost of ₹ 2.60 crore. The Chief Engineer (CE), Public Works Department (PWD) accorded technical sanction for the estimates of the works in April and December 2004. The works were awarded in March and April 2005 and completed at a cost of ₹ 2.22 crore in February and July 2006.

Scrutiny of records (January 2010) of the Executive Engineer (EE), Public Health Division, Puducherry revealed that the stage I work of laying of sewer lines and construction of sewer appurtenances was completed in January 2010 at a cost of ₹ 1.68 crore. Construction of trunk sewer and pumping main (stage IV) was sanctioned (November 2006) by Government for ₹ 2.98 crore. The CE sanctioned (September 2007) the estimate of the work for ₹ 2.45 crore and awarded (March 2008) the work to a contractor at the contract price of ₹ 2.63 crore. The contractor, after executing the works for a value of ₹ 95.39 lakh, stopped (June 2008) the work due to non-payment of bills by PWD for want of funds. The contract was foreclosed (June 2010) due to non-provision of sufficient funds in the budget for completing the work.

Though Government accorded (July 2006) administrative sanction for construction of sewage treatment plant (stage V) at an estimated cost of ₹ 2.99 crore, PWD had not prepared the estimate for the work as provision

⁵ Manholes, flush tanks, intercepting chambers, etc.

for a treatment plant with a higher capacity was made under the JNNURM⁶ funded comprehensive sewerage scheme. Out of ₹ 1.24 crore sanctioned (September 2004) for construction of collection well and pump house, installation of pump sets, etc (stage VI), the Superintending Engineer II sanctioned an estimate for ₹ 52.79 lakh for construction of collection well and pump house. The identified site was taken over by PWD in August 2005 and the work was commenced in March 2007. However, the work could not be executed in the site due to objection from the public. An alternative site was identified in June 2007. Though PWD approached the Oulgaret Municipality in July 2007 for transfer of the required land, it took more than three years to find out that the land was Government land and the Municipality did not have power to transfer the land and ultimately only in July 2010 the Revenue Department was requested to transfer the land. The land has not yet been transferred to PWD (November 2011).

Thus, the sewage collection system created in stages II and III (2006) could not be used as of 2011 for want of completion of the other components of the scheme and the expenditure of ₹ 2.22 crore incurred on the stages II and III works remained unfruitful for more than five years. In addition, the stage I and part of stage IV works completed (January 2010 and June 2008 respectively) at a cost of ₹ 2.63 crore also could not be put to use.

The matter was referred to the Government in July 2011; Government (November 2011) endorsed the reply of the Chief Engineer, PWD, in which it was stated that the proposal for transfer of required land was pending with the Revenue Department since July 2010 and it would commence the work as soon as the land was transferred. The reply is not acceptable as the department should have approached the Revenue Department in July 2007 itself instead of the Oulgaret Municipality for transfer of land. The failure of the department to approach the appropriate authority for the transfer of land has resulted in non-commencement of construction of the collection well, pump house etc., leading to non-utilisation of the other linked works already completed at a cost of ₹ 4.85 crore.

⁶ Jawaharlal Nehru National Urban Renewal Mission

HEALTH AND FAMILY WELFARE DEPARTMENT

3.2.2 Non-utilisation of the software

Signing of Memorandum of Understanding with faulty warranty condition with a software developer led to non availing of the intended benefits of the software developed by spending ₹ 18.75 lakh.

In order to computerize the activities of Government General Hospital (GH) and to have connectivity among all Government health institutions in the Union Territory of Puducherry, M/s Tata Consultancy Services Limited, Chennai (TCS) was engaged (January 2005) by the Director of Health and Family Welfare Services for development of a software 'Hospital Information System' (HIS) at a cost of ₹ 37.50 lakh. The agreed amount was to be released to TCS in five instalments and first instalment of ₹ 11.25 lakh was paid to TCS in May 2005.

As per the Memorandum of Understanding (MoU) signed in July 2005 between the Medical Superintendent (MS) of the GH, Puducherry and TCS, the software consisting of 13 modules⁷ would be developed by the latter in Oracle platform and warranty period of two years would commence from the date of installation of the first module at the first hospital and all the modules would be completed within a period of eight to ten months. Any change suggested by the GH at any stage of the software development should be conveyed to TCS which would be attended to by TCS after evaluating its impact on feasibility, time schedule and cost.

TCS installed the first module in February 2006 from which warranty/support period commenced. Subsequently, during March – June 2006, TCS installed four more modules and requested (October 2006) for payment of the second instalment of ₹ 7.50 lakh which was paid in June 2007. TCS further raised (November 2007 and January 2008) two invoices for ₹ 7.50 lakh each, being the third and fourth instalments citing delivery of all the deliverables, whereas MS claimed that only five⁸ modules were installed. Payments against these invoices were not made by MS on the ground that the HIS software was not as per the customer interest and application and requested (August 2008) TCS to improve the software. TCS, however, rejected (August 2008) the request stating that the warranty/support period was over in February 2008 and any further requirements/support would involve additional cost as the works suggested

⁷ 1)Registration, 2)Out-patients Management, 3)Inpatients Management, 4)Investigations, 5)Billing, 6)Patient Medical Records, 7)Operation Theatre, 8)Blood Bank, 9)Diet and Kitchen, 10)Pharmacy Management, 11)Central Stores, 12)Bio-Medical Engineering, 13) Enquiry

⁸ (1) Registration, (2) Out patient Management, (3) In patient Management (4) Medical Records Management and (5) Enquiry

were totally different from the agreed deliverables. As TCS stopped the support services, MS had improved the software by utilising in-house expertise in a different platform and put into use to some extent. As such, the software developed at a cost of ₹ 18.75 lakh by TCS could not be utilised to the full extent.

On being pointed out by Audit, Government replied that the software developed by TCS was not user friendly and requirements of hospital had changed completely during the period of software development. It was further stated that the amount paid to TCS was not wasteful as software developed in-house was based on the technical data provided by TCS. This reply is not acceptable, as the revised requirements were communicated to TCS only in August 2008 after expiry of the accepted warranty period in February 2008. Further, though the software contained 13 modules, the MoU stipulated that the warranty period would commence from the date of installation of the first module instead of installation of all the modules. MS, before signing of the MoU, could have insisted for change in the warranty period to commence after installation of all the modules so that the project could have been kept open until installation of all the modules so as to utilise the software developed to the fullest extent. Failure to do so resulted in non-availing of the intended benefits of the software developed by TCS at the cost of ₹ 18.75 lakh.

3.3 Avoidable expenditure

PUBLIC WORKS DEPARTMENT

3.3.1 Avoidable extra cost due to rejection of the lowest tenders

Injudicious rejection of the lowest tenders received for two road improvement works by the Chief Engineer, Public Works Department resulted in avoidable extra cost of ₹ 1.04 crore.

Government sanctioned (January and February 2010) two works namely 'Strengthening the road from Suthukeny to Lingareddipalayam in Mannadipet Commune' (Work I) and 'Improvements to the road at Sellipet, Vinayagampet, Sorapet and Vadhanur villages including construction of drain' (Work II) for ₹ 1.69 crore and ₹ 2.42 crore respectively. The Chief Engineer (CE), Public Works Department, accorded (May 2010) technical sanction for the estimates to the works for ₹ 1.65 crore and ₹ 2.28 crore respectively.

All the contractors, who participated in the first tender call (June 2010) for both the works quoted rates below the estimated cost put to tender, the lowest being (-) 24.35 per cent (contractor A - ₹ 1.08 crore) in respect of

work I and (-)19.01 *per cent* (contractor B - ₹ 1.54 crore) in respect of work II. The CE rejected (July/August 2010) both the tenders on the plea that the rates quoted were unworkable. In the second call (August 2010), all the contractors quoted rates above the estimated cost with the tender premium ranging from 4.86 to 19.65 *per cent* for the work I and 4.80 and 8.97 *per cent* for the work II. The CE approved (October 2010) the lowest tender of contractor 'C' for ₹ 1.58 crore for the work I with tender premium of 4.86 *per cent* and that of contractor 'D' for ₹ 2.08 crore for the work II with tender premium of 4.80 *per cent*. Work orders were issued (November and October 2010) to the selected contractors and the works were in progress (May 2011).

Scrutiny of the records revealed (December 2010) that both the contractors 'C' and 'D' had participated in the first tender call of the respective works and had quoted (-) 21.91 and (-) 18.84 *per cent* below the estimated cost put to tender and both of them quoted 4.8 *per cent* above the estimated cost in the second tender call. Further it was noticed that during November 2009 - October 2010, the CE had approved tenders which were (-) 14.59 to (-) 25.00 *per cent* below the estimated cost for six⁹ other road works (at an estimated cost of ₹ 12.85 crore), of which five works were awarded to the contractors 'A' and 'B' and all the works were in progress. As such, the action of the CE in rejecting the lowest tenders of contractors 'A' and 'B' in the first call and awarding the contract at a higher cost in the second call was injudicious and it resulted in avoidable extra estimated cost of ₹ 1.04 crore¹⁰.

On being pointed out, the Government replied (July 2011) that the tenders in the first call were rejected as quality work could not be extracted from the contractors at the unworkable rates quoted by them and as per CPWD Manual, no tender with more than 10 *per cent* variation should be accepted. It further stated that while accepting tenders from time to time, the prevailing market rates of materials, labour, site condition and nature of work etc., were taken into consideration and contended that acceptance of below quoted rate at one given point of time could not be compared with rejection of tenders with the same percentage at some other point of time. It further replied that in respect of the six other road works awarded to the contractors at rates below the estimated cost put to tender, the progress of work was very poor and thus, the decision of CE in rejecting the tenders in the first call was justified.

⁹ (i) Widening and improvements to Muthupillaipalayam to Perambai road (June 2010), (ii) Widening and improvements to Koonichempet to Manalipet road (July 2010), (iii) Widening and improvements to RC – 32 Mannadipet road from Thirukannur junction to RC – 21 Frontier road junction (July 2010), (iv) Improvements to RC-16 Moolakulam road from Moolakulam to Gopalankadai (October 2010), (v) Improvements to the Vinayagampet-Sorapet link road including providing cement concrete paver blocks to Vinayagampet and Sorapet Villages (August 2010) and (vi) Improvements to the road from Adingapet to Kirumampakkam and construction of protection wall (November 2009)

¹⁰ (₹ 1.58 crore + ₹ 2.08 crore) - (₹ 1.08 crore + ₹ 1.54 crore)

The reply is not acceptable as the agreements concluded with the contractors had terms and conditions to ensure quality of the works and it was noticed that all the six other road works awarded by CE during the same period were below quoted rates with discounts exceeding 10 *per cent*, and of which, four works had been completed and in respect of the other two works, the progress of work was at 80 and 40 *per cent* respectively as of August 2011. All the six works were similar in nature and were awarded within three months of the cancellation of the first tender call of Works I and II (July/August 2010). However, the CE adopted different standard for the works I and II which were similar in nature to the six other road works and rejected the lowest tenders for works I and II and this injudicious decision of the CE led to avoidable extra estimated cost of ₹ 1.04 crore.

ADI DRAVIDAR WELFARE DEPARTMENT

3.3.2 Avoidable payment of interest due to drawal of loan far in advance of requirement

Drawal of loan of ₹ 15 crore by the Adi Dravidar Welfare Department, far in advance of requirement for construction of houses for the Scheduled Caste beneficiaries resulted in avoidable payment of interest of ₹ 84.37 lakh.

The UT Government approved (August 2009) a proposal for construction of Economically Weaker Section (EWS) houses for homeless Scheduled Caste people in Puducherry and Karaikal regions at a cost of ₹ 158.09 crore¹¹ by availing loan from Housing and Urban Development Corporation Limited (HUDCO) and grant-in-aid from Government of India, in addition to the share of UT Government. The Pondicherry Adi Dravidar Development Corporation Limited (PADCO) was nominated as the project executing agency. The project was proposed to be taken up under two different schemes¹² for the urban and rural areas.

The UT Government received (September 2009) ₹ 12.72 crore as grant-in-aid from GOI under the Basic Services to Urban Poor (BSUP) scheme¹³. This amount along with the UT share of ₹ 1.24 crore (total ₹ 13.96 crore) was retained as deposit in the Public Account of the Government for eventual release to PADCO. An agreement for availing loan of ₹ 89 crore at the weighted average interest rate of 8.38 *per cent* (floating) per annum

¹¹ Loan from HUDCO – ₹ 89 crore; grant-in-aid from GOI under Basic Services to Urban Poor (BSUP) Scheme - ₹ 41 crore and UT Government share– ₹ 28.09 crore.

¹² (i) Scheme with grant-in-aid under BSUP in urban areas and (ii) scheme assisted by HUDCO in rural areas

¹³ BSUP is a component under Jawaharlal Nehru National Urban Renewal Mission

for construction of 2,852 EWS houses, signed on 24 March 2010 between HUDCO and the Secretary (Welfare), Puducherry Government, stipulated that the borrower should draw the first instalment of loan within a maximum period of eight months from the date of execution of loan agreement or such other period as may be specified by HUDCO from time to time.

Scrutiny of records (October-November 2010) of the Director, Adi Dravidar Welfare Department revealed that even before finalization of tender formalities for the scheme in rural areas, the Director requested (26 March 2010) the Secretary (Welfare) to draw ₹ 15 crore¹⁴ as first instalment of loan from HUDCO, in addition to the grant-in-aid available with the Department for the BSUP scheme. The Principal Secretary, Finance stated (30 March 2010) that the loan, if availed, would attract interest liability till its utilisation as work orders had not been issued for the scheme and suggested availing loan of ₹ one crore only. The Government on the advice of the Chief Secretary, however, approved (March 2010) the proposal for availing loan of ₹ 15 crore stating that HUDCO would not be in a position to release the amount sanctioned in the current financial year (2009-10) in the next financial year (2010-11) without a revised sanction of its Board of Directors. HUDCO released (March 2010) an amount ₹ 14.51 crore to the Government after deducting front-end-fee and service tax.

It was noticed in audit that the estimates for construction of 269 houses (₹ 16.05 crore) under BSUP scheme and 217 houses (₹ 12.84 crore) under HUDCO assisted scheme were approved (February and April 2010) by the Public Works Department and the work orders were issued by PADCO in April and October 2010. Government released the ₹ 13.96 crore (May and September 2010) kept in the Public Account and ₹ eight crore (August, October 2010) out of the loan amount of ₹ 14.51 crore availed from HUDCO to PADCO. As of November 2010, PADCO had incurred an expenditure of Rs 10.06 crore¹⁵ only towards payment to contractors under the BSUP and HUDCO Schemes. The Adi Dravidar Welfare Department paid an interest of ₹ 84.37 lakh to HUDCO upto November 2010 for the loan availed in March 2010. As the Department had ₹ 13.96 crore in the Public Account as of March 2010 for release to PADCO, there was no immediate necessity to draw the first instalment of loan from HUDCO in March 2010. Since the loan agreement allowed eight months time, i.e., upto November 2010 for drawal of the first instalment of loan, the approval of the Government for drawal of the loan in March 2010 was not justified and resulted in avoidable payment of interest of ₹ 84.37 lakh to HUDCO.

The matter was referred to Government in June 2011; reply had not been received (January 2012).

¹⁴ ₹ 10 crore for infrastructure development in work sites and ₹ five crore for releasing mobilisation/secured advances to contractors

¹⁵ ₹ 9.79 crore towards construction of 269 houses under BSUP scheme and ₹ 27 lakh under HUDCO assisted scheme

3.4 Blocking of funds/Idle expenditure

AGRICULTURE DEPARTMENT

3.4.1 Blocking of funds due to excess release of funds

Release of grants-in-aid to the Puducherry Agricultural Workers Welfare Society for free distribution of raincoats and mosquito nets to the Schedule Caste agricultural workers without ascertaining the actual requirement resulted in blocking of funds of ₹ 1.53 crore for one to three years.

Government established (March 2005) the Puducherry Agricultural Workers Welfare Society (PAWWS) with the objective of extending various benefits¹⁶ to the agricultural workers of the Union Territory. In March 2007, Government released grant-in-aid of ₹ 82 lakh out of the Scheduled Caste Sub Plan (SCSP) funds to PAWWS for giving old age pension, issue of raincoat and maternity assistance. Further grants totalling ₹ 1.81 crore were released in March 2008, March 2009 and March 2010 to the PAWWS for distribution of raincoats and mosquito nets to the Scheduled Caste agricultural workers.

The PAWWS, invited (June 2009) tenders for procurement of raincoats, but could not finalise the agency as the samples received from the tenderers did not conform to the specifications. The Government decided (February 2010) to entrust procurement and distribution of raincoats and mosquito nets to the Puducherry Market Committee (PMC) due to non-availability of storage facilities and shortage of manpower in the PAWWS. The PAWWS released ₹ 92.57 lakh (including ₹ 29.35 lakh for general category workers) to the PMC during March to October 2010. The PMC procured and distributed 20,000 raincoats and 15,000 mosquito nets to the Scheduled Caste and general category workers at a cost ₹ 85.43 lakh. Out of the SCSP funds of ₹ 2.63 crore received, PAWWS utilised ₹ 63.22 lakh only for distribution of raincoats and/or mosquito nets to 13,512 SC workers in the Puducherry region during 2009-11. In addition to the unspent grant of ₹ two crore as of March 2011, the PAWWS had earned interest of ₹ 40 lakh from the bank deposits of SCSP funds.

Scrutiny of records (August 2010) revealed that the Director of Economics and Statistics (DES), to whom the work of enumeration of agricultural workers in the UT was entrusted (January 2006) by the PAWWS, identified (April 2007) 52,817 agricultural workers of which 22,558 were from the SC community. The PAWWS, in its proposal (March 2007)

¹⁶ Providing financial assistance in case of untimely death of workers, group insurance benefits for permanent disability, pension to the aged workers, maternity assistance to the female workers, providing tools at subsidised/free of cost to the agricultural workers.

requesting Government to release grant-in-aid stated that it required ₹ 96 lakh for distribution of raincoats alone to about 24,000 SC workers (at ₹ 400 per raincoat). Government released (March 2007) ₹ 82 lakh from the SCSP component for the purpose with the condition that the grant should be utilised in a time-bound manner and a certificate of utilisation should be submitted to Government within 12 months of the closure of the financial year. In the subsequent financial years (2007-08 to 2009-10), Government, without ascertaining the utilisation of grants released earlier, continued to release the funds in the month of March every year, based on the projections of the PAWWS.

Audit observed that the PAWWS, which projected fund requirement of ₹ 2.48 crore in March 2009 for distribution of raincoats and mosquito nets to 33,067 SC workers, requested ₹ 2.78 crore in January 2010 for 26,500 SC workers instead of the actual number of 22,558 SC agricultural workers in the UT as per the enumeration done by the DES. Similarly, the unit cost for calculating fund requirement of raincoat ranged between ₹ 400 (March 2007) and ₹ 800 (March 2010) and ₹ 250 for mosquito net. The PMC actually procured raincoats from firms which had rate contracts with DGS&D at the unit cost of ₹ 285 to ₹ 309 for raincoat and ₹ 177 for mosquito net. The actual requirement of funds for distribution of raincoats and mosquito nets to all the 22,558 SC workers in the UT (at the rate of ₹ 309 for raincoat and ₹ 177 for mosquito net) works out to ₹ 1.10 crore only as against grants of ₹ 2.63 crore received by the PAWWS. Thus, excess projection for fund by the PAWWS and the excess release of grants of ₹ 1.53 crore by Government to the PAWWS during 2008-10 without ascertaining the utilisation, resulted in blocking of SCSP funds for one to three years, which could have otherwise been utilised for other welfare schemes for the SC people.

The matter was referred to Government in June 2011. Government in its reply (November 2011) stated that out of 81,441 applications received and pending scrutiny, 67,000 applicants were found to be eligible after assuming 25 per cent of applicants were ineligible and allowing 10 per cent addition for left over cases. Of this 33,067 were provisionally considered as SC members for the purpose of making demand projections for funds since the exact figures could not be finalised mainly because of the fact that agricultural workers were mostly migrant in nature seeking employment depending upon seasonal nature of agricultural operation. It was further stated that the society did not have any proper guidelines for implementation of the scheme and that separate guidelines in consultation with the Finance Department would be issued. The reply is not acceptable as the total number of SC beneficiaries was already available with DES and the projection of funds was deliberately inflated by the society based on assumptions. Government could have very well stopped further release of grants-in-aid after March 2007. However, Government continued release of further grants for the same purpose during March 2008-10,

without ascertaining utilization of the previously released grants and framing guidelines for the scheme.

INDUSTRIES AND COMMERCE DEPARTMENT

3.4.2 Non-utilisation of grants by the Puducherry Management and Productivity Council

Release of grant to the Puducherry Management and Productivity Council for construction of office building before allotment of land and poor planning by the Council resulted in blocking of funds of ₹ 1.05 crore over four years.

Puducherry Management and Productivity Council (PMPC), a society registered in 1988 under the Societies Registration Act, 1860, is functioning under the control of the Department of Industries and Commerce (DIC) with the objective of imparting management training to the personnel of industrial establishments, Government Departments and Public Sector Undertakings. In order to provide permanent building to PMPC, Puducherry Agro Service and Industries Corporation Limited (PASIC) was requested to prepare an estimate. Based on the preliminary estimate prepared by PASIC in March 2006 for ₹ 48.10 lakh, PMPC requested Government to release grant-in-aid. Government sanctioned (March 2006) and released the first instalment of grant of ₹ 18.00 lakh for construction of the building through PASIC. It was proposed to construct the building after dismantling the old garage sheds in the industrial estate and the adjacent vacant space was to be allotted for the purpose.

Scrutiny of the records revealed (August 2010) that PMPC, after one year from the date of Government sanction, got the preliminary estimate revised (March 2007) by PASIC to ₹ 1.10 crore by adding one more floor (first floor) to the proposed building to accommodate the office-cum-training centre and requested Government to release further grant of ₹ 92.00 lakh. Even though the existing garages were not dismantled and the additional land required was not allotted to PMPC, Government released ₹ 87.40 lakh in March 2007. The DIC allotted the required land in July 2007 and executed (November 2007) a lease agreement with PMPC. PMPC obtained (February 2008) the required building permit, valid upto February 2011, from the Puducherry Planning Authority.

When the detailed estimate prepared by PASIC was sent (May 2009) to the Chief Engineer (CE), PWD by PMPC for according technical sanction, the CE returned it with instruction to recast it adopting the 2009-10 Schedule of Rates. The estimate was recast in October 2009 to ₹ 2.96 crore for construction of a two-storied building with semi-basement structure and

‘green building’ concept. This was technically sanctioned (December 2009) by the CE for ₹ 3.09 crore.

PMPC entrusted (April 2010) the work to PASIC and released ₹ 90.00 lakh as the first instalment to PASIC. However, the contractor for executing the work could not be finalised (February 2011) by PASIC due to poor response to the tenders (July and September 2010) and non-approval of the tender by PMPC for awarding the work at high tender premium. PASIC requested (February 2011) PMPC’s permission to recast the estimate again adopting the Schedule of Rates for 2010-11. PMPC had not accorded the permission (June 2011).

Thus, poor planning by PMPC in obtaining grant-in-aid without the required land for construction of building and frequent revisions of building plan and the release of grant-in-aid by the Government without ensuring the immediate scope for spending led to blocking of Government funds of ₹ 1.05 crore for more than four years, besides non-achievement of the objective of constructing a permanent building for PMPC. Further, the frequent revisions of building plan and abnormal delays in decision making had led to increase in the estimated cost of the building from ₹ 48.10 lakh in 2006 to ₹ 3.09 crore in (December 2009).

When pointed out by Audit, PMPC replied (July 2011) that the project got delayed for various reasons including the revision in Schedule of Rates and the decision to construct the building by adopting the green building concept and that such delays would be avoided in future. PMPC also replied that PASIC had been directed to refund the money. The reply is not acceptable as the adhocism in decision making and delays discussed above are purely administrative in nature and avoidable.

The matter was referred to Government in June 2011; reply had not been received (January 2012).

ART AND CULTURE DEPARTMENT

3.4.3 Idle expenditure on an incomplete work

Foreclosure of contract for construction of the administrative and library block at the foundation stage for want of funds and non-utilisation of the same for the proposed Centre for Performing Arts and Research for more than four years resulted in idle expenditure of ₹ 66.32 lakh

Bharathiar Palkalaikoodam (BPK), a registered society fully funded by the UT Government, offers courses in music, dance and fine arts in

Puducherry. As the institution was functioning in temporary thatched sheds, Government released (March 2005) a non-recurring grant of ₹ 24.90 lakh to BPK for construction of the administrative and library block. The work was to be executed in a phased manner through the Public Works Department (PWD). The Chief Engineer (CE), PWD accorded (April 2006) approval for taking up the work 'as deposit work' at an estimated cost of ₹ 1.78 crore. BPK deposited ₹ 24.90 lakh in May 2006 with the Executive Engineer (EE), Buildings and Roads (North) Division of Puducherry with a request to commence the work immediately.

The CE accorded technical sanction for the detailed estimate of the work for ₹ 1.81 crore and awarded (August 2006) the work to a contractor at a value of ₹ 1.91 crore. As per the agreement (September 2006), the work was to be completed by May 2007. When the EE requested (December 2006) BPK to release additional deposit of ₹ 1.66 crore to complete the work of administrative block, BPK permitted (January 2007) the EE to utilise ₹ 50 lakh separately deposited for construction of the music block. As of January 2007, the contractor had completed the pile foundation of the block and out of the bill amount of ₹ 66.32 lakh, the EE paid ₹ 61.56 lakh only to the contractor due to paucity of funds. In a meeting convened by the Minister for Education in March 2007, it was decided to convert BPK into a Centre for Performing Arts and Research (CPAR) utilising the already created infrastructural facilities in the BPK campus and the PWD was instructed to stop all the ongoing works. The Minister requested the Department of Art and Culture (DAC) to call for expression of interests (EOI) for modifying the infrastructure required for CPAR on 'build, operate and transfer basis'. Therefore, the contract for the work of administrative and library blocks was foreclosed (August 2007) after incurring an expenditure of ₹ 66.32 lakh. The contractor resorted to arbitration against the foreclosure of the contract and he was awarded (October 2008) a compensation of ₹ 12.68 lakh by the arbitrator. PWD had filed an appeal petition against the award in February 2010 and the case was pending.

The DAC called (September 2007) EOI for providing advisory services for development of CPAR from four firms which were in the panel of Advisors for PPP projects circulated by the Ministry of Finance, GOI. Government approved (April 2009) the single firm¹⁷ which responded (October 2007) as consultant for establishing the CPAR at a professional fee of ₹ 28 lakh payable in two stages. The Special Secretary to Government, Art and Culture entered into a Memorandum of Agreement (MoA) with the consulting firm in January 2011. The firm claimed (January 2011) mobilisation fees of ₹ 3.09 lakh payable as per the terms of agreement. No payment was, however, made to the firm till June 2011 due to a dispute between DAC and the firm on payment of success fee at one *per cent* of the cost of project payable by the private developer to be selected.

¹⁷ M/s IL&FS Infrastructure Development Corporation Limited

Scrutiny of records revealed that as against the requirement of funds of ₹ 1.91 crore for completing the work, BPK deposited with the PWD ₹ 24.90 lakh only being the grant-in-aid released initially (March 2005) by Government for the purpose and further diverted ₹ 50 lakh to PWD. BPK failed to get additional fund from Government during 2006-07 even though the work was scheduled for completion by May 2007. As regards CPAR, though decision to establish the CPAR under PPP mode utilising the infrastructure already created was taken in March 2007 and the consulting firm responded in October 2007 itself, the DAC took no concrete action and Government approval for appointment of the consultant was obtained only in April 2009. It was further noticed that the Government approval for appointment of the firm for consulting services was communicated to it only in January 2010. The MoA with the consultant firm was signed in January 2011, after a further delay of more than a year due to time taken for finalizing the terms of MoA. The consulting firm, though submitted (March 2011) a preliminary report on the project, suspended all its activities relating to the project in April 2011 due to non-payment of the mobilisation fees. The inordinate delay in selection of the consulting firm and finalizing the terms of MoA with the firm, which was to identify a private developer for the project and the pace at which the work progressed showed that DAC was not serious in converting BPK into CPAR.

Thus, the foreclosure of contract of the work at foundation stage due to non-provision of adequate funds and non-establishment of the proposed CPAR even after four years from the date of stoppage of work of the administrative block resulted in the work costing ₹ 66.32 lakh remaining incomplete and idle.

The matter was referred to Government in July 2011; reply had not been received (January 2012).

LOCAL ADMINISTRATION DEPARTMENT

ARIANKUPPAM COMMUNE PANCHAYAT

3.4.4 Blocking of funds due to non-utilisation of grants-in-aid

The Local Administration Department failed to get the Government grant-in-aid of ₹ 54.28 lakh refunded even when the amount was not used for more than five years.

The General Financial Rules 2005 (GFR) of Government of India stipulate that Government departments should consider sanction of grants to any organisation seeking grants-in-aid from Government only on the basis of viable and specific schemes drawn up in sufficient detail by the

organisation and that in the event of non-utilisation, the grants-in-aid should be refunded to Government.

Scrutiny of records (July 2010) of the Ariyankuppam Commune Panchayat revealed that Government sanctioned (September 2005) grant-in-aid of ₹ 54.28 lakh to the Ariyankuppam Commune Panchayat (ACP) for construction of two multi-purpose halls, one in Chinnaveerampattinam (₹ 27.14 lakh) and another in Pudukuppam village (₹ 27.14 lakh), under the scheme of 'creation of infrastructural facilities in tsunami affected areas'. As per the specified condition, the grant-in-aid should be utilised only for the intended purpose within a period of 12 months from the date of drawal of grant. The money was drawn by the Director, Local Administration Department (LAD) in November 2005 and released to the ACP.

The ACP invited (November 2005) tenders for the above mentioned works and after evaluation of the tenders, the tender documents were sent (January 2006) to the Director (LAD) for approval. In March 2006, the Project Implementing Agency (PIA), viz., Emergency Tsunami Reconstruction Project, Puducherry, informed that it had already started construction of a community hall at Pudukuppam village through a non-governmental organisation. Therefore, the ACP sent (May 2007) a revised proposal for ₹ 56 lakh to the Director (LAD) for construction of a community hall at Chinnaveeranampattinam, but it was returned (June 2007) for want of certain details¹⁸. Subsequently, Chinnaveeranampattinam village people objected to (November 2008) the construction of the multipurpose hall and requested for provision of basic amenities such as road, side drain and drinking water. Various other works¹⁹ were also suggested (June/November 2008) by the village panchayat. Since no proposal was approved by the Chairman of the Council, ACP requested (October 2009) the Director (LAD) for necessary orders to refund the amount. The proposal to refund the grant was rejected by the Chairman and he instructed to construct the multipurpose hall at another place which was not feasible, as the land belonging to the Fisheries Department was near coastal zone and required 'no objection certificate' from the Fisheries Department and the Coastal Regulation Authority. The PIA suggested (July 2010) to take up the works of 'U'-shaped drains. Accordingly, revised proposal to construct the drains estimated to cost ₹ 64.70 lakh was sent by ACP (August 2010) to the Director (LAD) for getting revised Government sanction and approval to the proposal was awaited (September 2011). Thus, the department's failure to get back the unutilised grant as per the provision of GFR led to blocking of funds of ₹ 54.28 lakh for more than five years.

¹⁸ ACP Council's resolution for (i) diverting the amount released for construction of multi purpose hall at Pudukuppam village (ii) incurring additional expenditure of ₹ 1.72 lakh from the council fund and (iii) progress of Tsunami works.

¹⁹ (i) Construction of 'U' drain from Veeranampatti to Chinnaveeranampattinam
(ii) Construction of library building, toilet block, shed and playground.

When pointed out, the Director (LAD) stated (July 2011) that the proposal for drainage works was awaiting approval of Government for want of additional details such as revised estimate adopting current schedule of rates, resolution from the panchayat council, etc., and the ACP replied that revised estimate had been submitted to SE for technical sanction. The Government endorsed (September 2011) the reply of Director (LAD). The reply is not acceptable as the Director (LAD) failed to get the grant-in-aid refunded when no concrete proposal was received from the ACP.

CHAPTER IV
REVENUE RECEIPTS

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 2010-11 and the corresponding figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Category	2006-07	2007-08	2008-09	2009-10	2010-11
I	Revenue raised by the Government					
	(a) Tax revenue	569.55	652.85	725.35	867.74	1,074.47
	(b) Non-tax revenue	549.92	625.82	628.64	642.93	742.78
	Total (I)	1,119.47	1,278.67	1,353.99	1,510.67	1,817.25
II	Receipts from the Government of India - Grants-in-aid	764.09	856.95	1,104.51	1,330.66	1,382.78
III	Total receipts of the Government (I + II)	1,883.56	2,135.62	2,458.50	2,841.33	3,200.03
IV	Percentage of I to III	59	60	55	53	57

The above table indicates that during the year 2010-11, the revenue raised by the Union Territory Government was 57 per cent of the total revenue receipts (₹ 3200.03 crore) as against 53 per cent in the preceding year. The balance 43 per cent of the receipts during 2010-11 was obtained from the Government of India.

4.1.1 The details of tax revenue raised during the year 2010-11 along with the figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1	Taxes on sales, trade, etc.	364.89	354.98	381.86	453.11	595.00	(+) 31.31
2	State excise	143.49	224.02	279.60	329.06	378.55	(+) 15.04
3	Stamp duty and registration fees	31.01	41.37	30.80	50.15	51.93	(+) 3.55
4	Taxes on vehicles	29.01	31.60	32.46	34.75	48.27	(+) 38.91
5	Land revenue	0.91	0.54	0.38	0.54	0.62	(+) 14.81
6	Others	0.24	0.34	0.25	0.13	0.10	(-) 23.08
	Total	569.55	652.85	725.35	867.74	1,074.47	

The reasons for variation in receipts in 2010-11 over 2009-10 as furnished by the Departments concerned are mentioned below:

Taxes on sales, trade, etc.: The increase (31.31 *per cent*) was due to increase in number of registered dealers and strict compliance of payment and collection of tax arrears.

State excise: The increase (15.04 *per cent*) was due to higher production of Indian Made Foreign Liquor (IMFL) and beer and increase in collection of excise duty and additional excise duty.

Taxes on vehicles: The increase (38.91 *per cent*) was due to registration of more number of new vehicles and revision of taxes on National Permit.

The other Departments did not furnish (December 2011) the reasons for variation despite being requested (July 2011).

4.1.2 The details of the non-tax revenue raised during the year 2010-11 along with the figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Heads of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+) / decrease (-) in 2010-11 over 2009-10
1	Power	508.95	570.36	545.90	549.39	662.71	(+) 20.63
2	Interest receipts, dividends and profits	7.23	21.41	47.60	56.98	42.15	(-) 26.03
3	Medical and public health	7.52	7.83	6.55	6.58	10.77	(+) 63.68
4	Education, sports, art and culture	0.47	0.48	0.46	0.45	0.61	.(+) 35.56
5	Crop husbandry	0.43	0.34	0.29	0.39	0.41	(+) 5.13
6	Other receipts	25.32	25.40	27.84	29.14	26.13	(-) 10.33
Total		549.92	625.82	628.64	642.93	742.78	

The reasons for variation in receipts in 2010-11 over 2009-10 as furnished by the Departments concerned are mentioned below:

Power: The increase (20.63 *per cent*) was due to more sale of power and tariff revision.

Interest receipts, dividends and profits: The decrease (26.03 *per cent*) was due to less receipt of interest on investment of cash balance.

Medical and public health: The increase (63.68 *per cent*) was due to more receipts under Employees' State Insurance Scheme.

The other Departments did not furnish (December 2011) the reasons for variation despite being requested (July 2011).

4.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actual revenue receipts for the year 2010-11 in respect of the principal heads of tax and non-tax revenue are given in the following table:

(₹ in crore)

Sl. No	Heads of Revenue	Budget estimates	Actual receipts	Variation excess (+) or shortfall (-)	Percentage of variation excess (+) or shortfall (-)
1	Taxes on sales, trade, etc.	680.78	595.00	(-) 85.78	(-) 12.60
2	State excise	475.00	378.55	(-) 96.45	(-) 20.31
3	Stamp duty and registration fees	102.00	51.93	(-) 50.07	(-) 49.09
4	Taxes on vehicles	58.00	48.27	(-) 9.73	(-) 16.78
5	Land revenue	1.15	0.62	(-) 0.53	(-) 46.09
6	Power	889.61	662.71	(-) 226.90	(-) 25.51
7	Interest receipts, dividends and profits	53.44	42.15	(-) 11.29	(-) 21.13
8	Medical and public health	7.49	10.77	(+) 3.28	(+) 43.79
9	Education, sports, art and culture	0.89	0.61	(-) 0.28	(-) 31.46
10	Crop husbandry	0.36	0.41	(+) 0.05	(+) 13.89

The Departments did not furnish (December 2011) the reasons for variation despite being requested (July 2011).

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 2010-11 and the corresponding figures for the preceding two years as furnished by the Department are given in the following table:

(₹ 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	99.92
2010-11						
ST	4.72	---	0.43	0.04	5.11	92.37
VAT	288.64	---	0.66	---	289.30	99.77
Non-VAT	300.14	---	0.44	---	300.58	99.85

The above table shows that the collection of revenue at the pre-assessment stage ranged between 98.68 and 99.85 per cent during 2008-09 to 2010-11.

4.4 Arrears of revenue

The arrears of revenue pending for collection as on 31 March 2011 under the principal heads of revenue, as reported by various Departments was ₹ 425.03 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	201.14	6.81	The arrears related to collection of tax under PGST/CST and VAT Acts. ₹ 142.08 crore was covered under court cases. ₹ 1.54 crore was covered under Revenue Recovery Act and ₹ 0.01 crore was covered under write off proposal and ₹ 57.51 crore was pending at various stages of recovery.
2.	Electricity	198.31	37.08	The arrears comprised ₹ 46.10 crore due from the high tension (HT) consumers and ₹ 123.31 crore from the low tension (LT) consumers in Puducherry region and ₹ 28.90 crore relate to LT and HT consumers in Karaikal, Mahe and Yanam regions.

(1)	(2)	(3)	(4)	(5)
3.	State Excise	12.95	9.91	Arrears were mainly due to non payment of <i>kist</i> by the lessees of arrack and toddy shops
4.	Public Works	8.75	2.70	The arrears related to water charges due from consumers and licence fee due from Government servants.
5.	Government Automobile Workshop	2.37	--	The arrears were due from Government Departments towards sale of petrol, oil and lubricants.
6.	Port	0.57	0.01	Arrears were mainly due from M/s Container Corporation of India Limited, Government of India undertaking towards land rent.
7.	Agriculture	0.25	0.11	Arrears were mainly due from M/s. Pondicherry Agro Service and Industries Corporation towards rent and cost of seeds sold.
8.	Stationery and Printing	0.23	0.01	The arrears related to amounts due from Government Departments.
9.	Town and Country Planning	0.13	0.13	The arrears related to final cost of plots due from the allottees of various housing schemes.
10.	Information and Publicity	0.13	0.09	Arrears were mainly due from the Pondicherry Tourism Development Corporation towards canteen rent.
11.	Tourism	0.09	0.03	The arrears were mainly due from guests/Government Officials/MLAs/Hon'ble Ministers towards room rent.
12.	Co-operation	0.06	0.01	Arrears related to audit fees and other receipts due.
13.	Judicial	0.04	0.03	In some cases, the accused were undergoing imprisonment and in some cases, appeals were pending in courts, etc.
14.	Fisheries	0.01	0.01	Arrears were due from Fisheries Department, Kakinada, Government of Andhra Pradesh.
	Total	425.03	56.93	

The other Departments *viz.*, Industries, Police and Legislative Assembly Secretariat did not furnish (December 2011) the details of arrears of revenue despite being requested (May 2011).

4.5 CST/VAT administration

Number of dealers registered as on 31.3.2011 are 11,083 and 8,526 under the VAT and CST respectively. However, we required about the number of dealers who filed returns, number of returns due, number of returns actually filed and number of assessed cases during the year 2010-11, the Commercial Taxes Department did not furnish the details despite being requested.

4.6 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 2010	Cases detected during 2010-11	Total	Number of cases in which assessments/investigations were completed and additional tax and penalty levied		Number of pending cases as on 31 March 2011
			Number of cases	Amount demanded	
96	30	126	3	₹ 1.84 lakh	123

4.7 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 2010 disclosed that 604 paragraphs involving ₹ 104.42 crore relating to 188 IRs remained outstanding at the

end of June 2011. The Department-wise break up of the IRs and audit observations outstanding as on 30 June 2011 are as given in the following table:

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales tax	40	239	89.42
2	Land revenue	32	73	2.34
3	Stamp duty and registration fees	59	121	1.88
4	Taxes on vehicles	31	126	4.14
5	State excise	26	45	6.64
	Total	188	604	104.42

4.8 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 2009-10 shows that against the revenue effect of ₹ 106.37 crore of the audit observations accepted by the Department, the actual recovery was only ₹ 25 lakh. The year-wise break up of the recovery of revenue till October 2011 is given in the following table:

(₹ 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
2009-10	0.34	0.06	0.04
Total	106.37	97.27	0.25

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

4.9 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 2010-11 revealed under assessment/short levy/loss of revenue amounting to ₹ 13.65 crore in 70 audit observations. During the course of the year, the

Departments accepted ₹ 14.84 lakh in eight audit observations, of which, ₹ 4.23 lakh pertaining to three cases were pointed out during the year and the rest in earlier years. ₹ 13.92 lakh was recovered by the Department.

This Chapter contains two Performance Audits viz., “Utilisation of declaration forms in inter-state trade” involving money value of ₹ 58.85 lakh; “Stamp Duty and Registration Fees” involving money value of ₹ 7.85 crore and one case with a money value of ₹ 1.10 crore. The Government accepted the audit observation in one case amounting to ₹ 3.60 lakh and collected the amount.

SALES TAX / VALUE ADDED TAX

4.10 Results of Audit

Test check of the records of departmental offices during the period from April 2010 to March 2011 revealed incorrect grant of exemption, application of incorrect rate of tax, incorrect computation of taxable turnover, non-levy of penalty/interest amounting to ₹ 4.53 crore in 26 cases as detailed below.

(₹ in lakh)			
Sl. No.	Category	No. of cases	Amount
1	Performance Audit on ‘Utilisation of declaration forms in Inter State Trade’	1	58.85
2	Incorrect grant of exemption	6	29.63
3	Incorrect rate of tax	6	335.93
4	Incorrect computation of taxable turnover	1	2.31
5	Non levy of penalty/interest	9	23.23
6	Other Irregularities	3	3.27
	Total	26	453.22

During the year 2010-11, the department accepted underassessment of ₹ 14.81 lakh in 7 cases; of which ₹ 4.20 lakh involved in two cases was pointed during the year and the rest in earlier years. The Department recovered ₹ 13.89 lakh based on our objections.

After the issue of draft paragraph, the Department collected an amount of ₹ 3.60 lakh.

The findings on the Performance Audit on “Utilisation of declaration forms in Inter State Trade” and one draft paragraph are discussed in the following paragraphs.

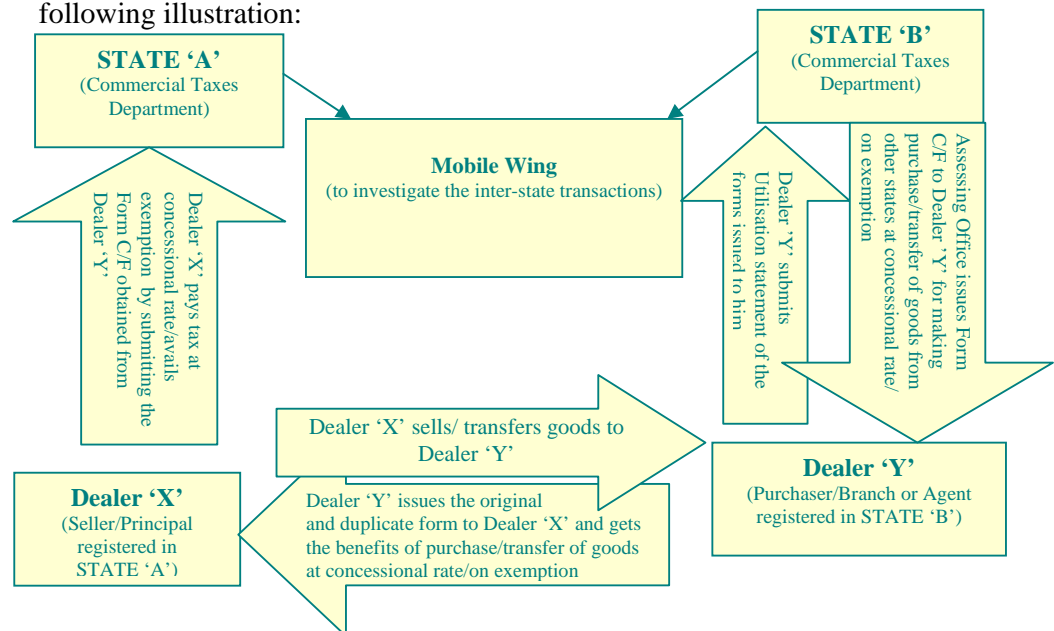
4.11 Performance Audit on “Utilisation of declaration forms in Inter State Trade”

Highlights

- There was delay in uploading of details of issue/utilisation of declaration forms in TINXSYS website, and the same was made operational only from July 2011, adversely impacting monitoring/checking of Inter State Trade.
(Paragraph 4.11.8.2)
- Understatement of the value of purchases by three dealers in their accounts resulted in non levy of tax and penalty of ₹ 58.85 lakh on the corresponding sales turnover.
(Paragraph 4.11.10.1)

4.11.1 Introduction

Under the Central Sales Tax Act, 1956, (CST Act) and the Rules made thereunder, every dealer who sells goods to a registered dealer in the course of Inter State Trade or commerce shall pay tax at a concessional rate, if such sales are supported by declarations in form ‘C’ obtained from the purchaser. The dealers can purchase goods at concessional rate of tax which are specified in their certificate of registration. Transfer of goods claimed otherwise than by way of sale made by a registered dealer to any other place of his business located outside the state is exempted from tax on production of the declarations in form ‘F’ duly filled in and signed by the principal officer of other place of his business or his agent as the case may be. Form ‘F’ declarations are issued for receiving goods on stock transfer from their depot/branch in other states or on consignment basis from the principal for eventual sale in the respective states. These concessions are given to the dealers for furtherance of trade and commerce. The steps involved in these transactions are shown in the following illustration:



It is the responsibility of the Commercial Taxes Department to ensure proper accounting of declaration forms and to take adequate safeguard against misuse of declaration forms. The Government of India designed a website called “Tax Information Exchange System (TINXSYS)”, as a repository of Inter State transactions. It helps the Department to effectively monitor the Inter State Trade.

4.11.2 Organisational set up

The Secretary, Commercial Taxes Department is the head of the Department at the Government level. The Commissioner of Commercial Taxes is the head of the Commercial Taxes Department and is assisted by one Deputy Commissioner and two Assistant Commissioners. The Commercial Tax Officers, Deputy Commercial Tax Officers and Assistant Commercial Tax Officers are the assessing authorities. They are the custodians of the declaration forms and competent to issue the forms to the dealers. There is a ‘Mobile Wing’ in the Department, which has been formed to facilitate cross verification of the local and also the Inter State transactions.

4.11.3 Audit Objectives

The Performance Audit was conducted with a view to ascertain whether

- There exists a foolproof system for custody and issue of the declaration forms;
- Exemptions/concessions of tax granted by the assessing authorities were supported by valid declaration forms;
- There is a system for ascertaining genuineness of the forms to prevent evasion of tax; and
- There is a system of uploading the particulars in the TINXSYS website and the data available therein are utilised for verifying the correctness of the forms.

4.11.4 Scope and Methodology of audit

The Performance Audit was conducted in three phases, in December 2010 and September 2011, to ascertain the accounting of the declaration forms and correctness of the concessions and exemptions allowed to the dealers under the CST Act. The scope of the Performance Audit was limited only to ‘C’ and ‘F’ forms.

In the first phase, details of 269 declaration forms pertaining to 52 dealers in respect of assessments finalised during the period from 2007-08 to 2009-10 were collected from the assessment circles in Puducherry, segregated with reference to States/ Union Territories to which they relate and forwarded to the concerned Accountants General offices for verifying

the genuineness/ correctness of the transactions with their respective Sales Tax Departments.

In the second phase, details of 2,214 declaration forms received from other Accountants General Offices were verified with reference to purchase details available in Puducherry in respect of 227 dealers in the respective assessment circles of the Commercial Taxes Department.

In the third phase, based on the verification reports received from other Accountants General offices, observations were made by verifying the assessment records of the assesseees in Puducherry.

4.11.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Taxes Department in providing the necessary information and records for the Performance Audit. An entry conference was held in December 2010 with the Commissioner of Commercial Taxes in which the audit objectives and methodology of audit were explained. The draft Performance Audit Report was forwarded to the Government in October 2011. The exit conference was held on 3 November 2011 with the Commissioner of Commercial Taxes. The replies furnished by the Department at the time of exit conference have been incorporated in the respective paragraphs.

4.11.6 Trend of revenue

The trend of revenue relating to Central Sales Tax during the period of Performance Audit is as follows:

(₹ in crore)

Year	CST collection	Increase/decrease over the previous year	Percentage Increase (+) / decrease(-)
2006-07	164.42	---	---
2007-08	180.47	(+) 16.05	(+) 9.76
2008-09	179.08	(-) 1.39	(-) 0.77
2009-10	183.67	(+) 4.59	(+) 2.56
2010-11	238.44	(+) 54.77	(+)29.82

The Department stated that they do not prepare the Budget Estimates with regard to Central Sales Tax.

Audit Findings

4.11.7 System Issues

4.11.7.1 Printing, custody and issue of declaration forms

The declaration forms are printed at the Government Printing Press, Puducherry. Details of requirements are received from the assessment circles and based on the stock position, the Commissioner of Commercial Taxes places orders on the printing press for the supply of declaration forms. During the years from 2007-08 to 2009-10, 3.77 lakh 'C' forms and 44,500 'F' forms were printed. It is incumbent upon the Commercial Taxes Department to ensure proper receipt, custody and issue of forms so as to obviate the possibility of misuse of the forms and loss of revenue. Physical verification is carried out by the Assistant Commercial Tax Officers of the assessment circles periodically and counter checked by the heads of the circles.

4.11.7.2 Issue and accounting of declaration forms

- Rule 14(16) of the CST (Pondicherry) Rules, 1967, provides that the Government may, by notification to be published in the official gazette, declare that declaration forms of a particular series, design or colour shall be deemed as obsolete and invalid with effect from such date as may be specified in the notification. The Government may also furnish information regarding such declaration to other State Governments for publication in their gazettes.

The Government of Puducherry introduced a new system of issue of 'C' and 'F' declaration forms online with effect from 23 July 2010. It was introduced initially for covering transactions effected from April 2010 and subsequently this facility was extended for the transactions effected from July 2007. However, it was noticed that the old system of issue of declarations in physical form was continued even after introduction of issue of forms online. Though, the Principal Secretary, Finance, Government of Puducherry, addressed to the Secretaries/Commissioners of Commercial Taxes Departments of all the States to accept the computer generated declaration forms, no notification was issued to the effect that the declaration forms issued in physical form were invalid for the transactions effected from July 2007.

- Whenever a dealer indented for supply of less than 25 leaves of forms, one book (25 leaves) was allotted in the name of the dealer and actual quantity of forms indented were issued to the dealer. The remaining forms allotted in favour of a particular dealer but not issued were kept in the custody of the assessing officer concerned for future issue to the same dealer. This gives scope for misuse of the forms. This was already pointed out and included in the Audit Report for the year ended

31 March 2008. However, the same procedure is being followed by the Department even now.

During the exit conference, the Commissioner of Commercial Taxes, Puducherry informed that instructions were given to destroy the forms kept in the custody of the assessing officers.

4.11.8 TINXSYS

4.11.8.1 The Empowered Committee of State Finance Ministers authored a website named TINXSYS as a repository of Inter State transactions. This is mainly aimed at helping the Commercial Taxes Department to effectively monitor the Inter State trade.

The dealers information, *viz.*, name, CST number, TIN, address, date of registration under the CST Act and status of registration under the CST Act are entered into the system. Further, details of issue/utilisation of forms are also being entered. Apart from verification of dealers profile, the Department officials use TINXSYS for verification of statutory forms issued by other State Commercial Taxes Departments to their assesseees and used by the dealers in Inter State transactions.

4.11.8.2 Delay in uploading of data in the TINXSYS

A scrutiny of the details regarding the number of ‘C’ and ‘F’ declaration forms issued to the dealers and the information regarding utilisation of those forms as available in the TINXSYS website revealed that no details were uploaded in the TINXSYS till June 2011 and only from July 2011 the details were uploaded. As on 31 December 2011 details regarding issue of 3,61,190 declaration forms and details of utilisation of 2,64,613 forms were uploaded in the website. The delay in uploading the details of utilisation of forms would defeat the very purpose of the creation of the website, *viz.*, effective monitoring of Inter State trade.

After we pointed this out, the Department replied that due to mismatch and non compatibility in the database, majority of the records could not be uploaded in TINXSYS and further stated that the issue was discussed in the Empowered Committee and as per their directions, the data originally uploaded in the TINXSYS were removed totally and the details were uploaded afresh from July 2011. The delay in streamlining the procedure for uploading the details in TINXSYS could have been avoided had the Department coordinated with the service provider, *viz.* M/s 3i Infotec Ltd, at the initial stage itself, as suggested by the Empowered Committee.

4.11.9 Mobile Wing

A Mobile Wing was formed in the Union Territory of Puducherry in 1997 to verify the genuineness of the transactions based on the references received from other States and from the assessment circles in Puducherry.

The Wing is functioning with one Deputy Commercial Tax Officer and two Assistant Commercial Tax Officers. The verifications are made with reference to the records available in the assessment circles and also by forwarding references to other States. As per the information furnished by the Department, the Mobile Wing received 120 references both from other States and the assessment circles in Puducherry and cleared 98 references during the years 2008-09 and 2009-10. The Department stated that they did not notice any case of evasion of tax during their verification.

Compliance Issues

4.11.10 Results of cross verification

With a view to ascertain the accountability and genuineness of declaration forms issued by the dealers in the Union Territory of Puducherry for the Inter State purchases as well as for the sales/stock transfers effected by them against declaration forms to other State dealers, cross verification was conducted by audit. The results of such cross verification are discussed in the following paragraphs:

4.11.10.1 Misuse of declaration forms

- A cross verification of the details of four 'F' forms received from Andhra Pradesh for consignment sales of vegetable oil for ₹ 25.50 lakh made by the dealers of that State, with the assessment records relating to three dealers pertaining to Mahe and Puducherry-I assessment circles revealed that the declaration forms were not issued by the Commercial Taxes Department to these assesseees/dealers in Puducherry. These cases need to be examined by the Department in the interest of revenue.
- Under section 18(1) of the Pondicherry General Sales Tax Act, 1967, and under section 30 (1) of the Puducherry Value Added Tax Act, 2007, where, for any reason, the whole or any part of turnover of business of a dealer has escaped assessment to tax, the assessing authority may determine the turnover which has escaped assessment and assess the tax payable on such turnover.

As per section 18(3) of the Pondicherry General Sales Tax Act, and section 30(3) of the Puducherry Value Added Tax Act, while making such assessment the assessing authority may direct the dealer to pay a penalty not exceeding 150 *per cent* and 200 *per cent* of the tax so assessed respectively.

It was noticed in Intelligence Wing (assessment circle) and Puducherry I and II assessment circles, that three assesseees who purchased wall clock, paint and automobile spares, taxable at 8, 10, and 12.5 *per cent* respectively had stated the value of goods in utilization certificates/counterfoil of 'C' form as ₹ 89.92 lakh. However, our cross verification revealed that the selling dealers of Gujarat and Tamil Nadu had

claimed value of goods sold as ₹ 319.33 lakh as per the ‘C’ forms. Thus the purchasing dealers had understated the value of goods to a tune of ₹ 2.29 crore for the assessment years 2004-05, 2005-06 and 2007-08 finalised during the period between February 2006 and December 2007. This resulted in non levy of tax and penalty of ₹ 58.85 lakh on the corresponding sales turnover.

During the exit conference, the Department agreed to cross verify the transactions and take appropriate follow up action, wherever necessary.

4.11.10.2 Non-receipt of unused declaration forms

Rule 14(11) and 14 (12) of the CST (Pondicherry) Rules, 1967, stipulates that a dealer who discontinues his business during the course of the year shall submit the details of utilisation of declaration forms and any unused declaration forms remaining in stock with the registered dealer on cancellation of his registration certificate (RC) shall be surrendered to the registering authority.

The details produced to audit by the registering authority of the Union Territory of Puducherry revealed that 322 dealers discontinued their business during the period from April 2007 to March 2010. When the details of utilisation of declaration forms by the dealers and surrendering of unutilised forms by the dealers whose RCs were cancelled was sought for by audit, it was replied that such details were not readily available. In the absence of any such details, audit could not ensure the existence of proper mechanism to monitor the utilisation/surrender of declaration forms at the time of discontinuance of their business.

During the exit conference the Department stated that after introduction of online issue of declaration forms, the Commercial Taxes Department in other States were intimated not to accept manual declaration forms for the purchases made from 1 July 2007. This measure would invalidate the manual forms available with the dealers who have discontinued their business.

The action of the Department would not prevent misuse of declaration forms, not surrendered by the dealers at the time of cancellation of their RCs, for the transactions effected prior to July 2007 unless they are invalidated.

4.11.11 Conclusion

There was delay in uploading the details of utilisation of declaration forms in the TINXSYS website. The Department did not enforce surrender of declaration forms of those dealers whose registration certificates were cancelled/ who have discontinued their business. There were few instances of suppression of Inter State sales observed by us.

4.12 Application of incorrect rate of tax

As per Section 8(1) of the Central Sales Tax Act, 1956, on Inter State sale of goods (other than declared goods) to registered dealers, tax was leviable at the rate of four *per cent*, subject to production of C forms.

As per Government Order dated 30 March 1989, tax payable on Inter State sales of goods manufactured by any dealer having his place of business at Puducherry or Yanam region and registered as Small Scale Industries (SSI) with the Directorate of Industries, Puducherry, shall be at the concessional rate of one *per cent*, subject to certain conditions.

The Ministry of Commerce and Industry in its order dated 24 December 1999 had reduced the ceiling limit of investment in plant and machinery by an industry from ₹ three crore to ₹ one crore for becoming eligible for SSI status.

During the audit in Industrial Assessment Circle, Puducherry, it was noticed that though investment in plant and machineries by an assessee in his industry had exceeded ₹ one crore, it was treated as small scale industry and the Inter State sales effected by it were assessed to tax at the rate of one *per cent*. The incorrect application of concessional rate of tax at one *per cent* on the turnover of ₹ 36.53 crore, during the year 2005-06, resulted in short levy of tax amounting to ₹ 1.10 crore.

After we pointed this (February 2009) out, the Department contended (December 2009) that units with investment in “plant and machinery” not exceeding ₹ three crore registered as SSI unit with reference to earlier order dated 10 December 1997 would still continue to be SSIs, despite the reduction in investment limit notified in order dated 24 December 1999, in terms of a subsequent clarification issued by the Government of India on 14 March 2000.

The reply of the Department was not accepted since the assessee’s investment in plant and machinery had exceeded rupees three crore in the year 2004-05, as seen from the annual accounts available in the ‘Tax Holiday Extension File’ and therefore, the industry was not eligible to be classified as small scale industry. Further report is awaited from the Department (December 2011).

The matter was reported to the Government (April 2011) and their reply is awaited (December 2011).

STAMP DUTY AND REGISTRATION FEES

4.13 Results of Audit

Test check of the records of Departmental offices conducted during the period from April 2010 to March 2011 revealed under-assessments, misclassification and other observations amounting to ₹ 8.98 crore in 39 cases, which broadly fall under the following categories.

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1	Performance Audit on ‘Stamp duty and registration fees’	1	7.84
2	Under valuation of properties	9	0.50
3	Misclassification of instruments	13	0.60
4	Other observations	16	0.04
	Total	39	8.98

During the course of the year 2010-11, the Department accepted and collected underassessment amounting to ₹ 2,534 in one case which was pointed out during the year.

A Performance Audit on ‘Stamp Duty and Registration Fees’ involving money value of ₹ 7.84 crore is mentioned in the following paragraphs.

4.14 Performance Audit on Stamp Duty and Registration Fees

Highlights

- Remission of stamp duty of ₹ 25.93 lakh was incorrectly granted on documents registered by women.
(Paragraph 4.14.10)
- Exemption of stamp duty of ₹ 2.59 crore was incorrectly granted on sale/mortgage deeds executed by or in favour of co-operative societies.
(Paragraph 4.14.11)
- Misclassification of documents resulted in short levy of stamp duty and registration fees of ₹ 30.58 lakh.
(Paragraph 4.14.12)
- Under-valuation of properties resulted in short levy of stamp duty and registration fees of ₹ 2.78 crore.
(Paragraph 4.14.13)

- Incorrect adoption of guideline value resulted in short levy of stamp duty and registration fees of ₹ 46.40 lakh.

(Paragraph 4.14.15)

- Incorrect allocation of Transfer Duty Surcharge of ₹ 27.53 lakh to local bodies.

(Paragraph 4.14.18)

4.14.1 Introduction

The Indian Stamp Act, 1899 (IS Act) and the Registration Act, 1908 as amended from time to time and the rules made thereunder regulate the levy of stamp duty and registration fees on the instruments registered by the Registration Department in Puducherry.

4.14.2 Organisational Set up

The Secretary, Revenue and Disaster Management Department, who is also the Inspector General of Registration is the head of the Department. He is assisted by the Additional Secretary, Revenue Department. Under his control, there is one District Registrar and 10 Sub-Registrars. In addition, there are five Deputy Collectors for determination of market value of properties in certain classes of documents under Section 47A of the IS Act.

4.14.3 Audit Objectives

The Performance Audit was conducted with a view to ascertain whether:

- the system in place for levy and collection of stamp duty was functioning efficiently and effectively;
- proper system was available to record the grant of remission of stamp duty at the apex level; and
- the instruments were correctly classified for the purpose of levy of stamp duty and registration fees.

4.14.4 Scope and Methodology of Audit

The records for five years from 2005-06 to 2009-10 of the offices of the District Registrar and eight offices¹ of the Sub Registrars in Puducherry and Karaikal region and three offices² of Deputy Collector (Revenue) were test-checked from January 2010 to March 2010 and from January 2011 to February 2011. Further, observations featured in local audit reports were also included in the performance audit report.

¹ DR Puducherry, SR Oulgaret, SR Villianur, SR Bahour, SR Thirukkanur in Puducherry Region; SR Karaikal, SR Thirunallar, SR Niravy in Karaikal

² Deputy Collector (North), Deputy Collector (South) in Puducherry Region and Deputy Collector in Karaikal region.

4.14.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation extended by the Revenue and Disaster Management Department in providing the necessary records and information to audit. An entry conference was held with the Secretary to the Government, Revenue and Disaster Management Department in April 2010, in which the audit objectives, scope and methodology were explained. The findings of the performance audit were forwarded to the Department and the Government in July 2011. The exit conference was held with the Special Secretary to the Government, Revenue and Disaster Management Department on 6 July 2011. The views of the Department have been incorporated in the respective paragraphs.

4.14.6 Trend of Revenue

The budget estimates and the revenue earned by the Registration Department for the year 2010-11 along with the corresponding figures for the last five years are mentioned in the following table:

(₹ in crore)

Year	Budget estimates	Actuals	Percentage of increase (+)/ decrease(-)
2005-06	22.50	23.97	(+) 6.53
2006-07	17.09	31.01	(+) 81.45
2007-08	26.00	41.37	(+) 59.12
2008-09	38.49	30.79	(-) 20.01
2009-10	54.23	36.91	(-) 31.94
2010-11	102.00	51.93	(-) 49.09

The Government stated during the exit conference that the reasons for lesser collection than the budget estimate in 2008-09 and 2009-10 was due to allowing of various concessions.

4.14.7 Position of arrears

Arrears amounting to ₹ 1.58 crore are pending from 1985 onwards, of which ₹ 0.80 crore is pending for more than ten years. Out of the arrears, an amount of ₹ 0.12 crore is pending before various courts and ₹ 0.99 crore is covered under the Revenue Recovery Act. An amount of ₹ 0.48 crore is pending to be referred for collection under Revenue Recovery Act.

The Department stated (July 2011) that necessary action would be taken in consultation with the concerned Deputy Collector.

4.14.8 Internal control mechanism

4.14.8.1 Lack of monitoring

Internal controls are intended to provide reasonable assurance of orderly, efficient and effective operations, safeguarding resources against irregularities, adhering to laws, regulations and management directives and developing and maintaining reliable financial and management data.

However, we enquired whether any periodic returns (monthly, quarterly etc.) were prescribed for submission to the competent higher authority to facilitate monitoring of receipts and collection of duty and fee and overall functioning of the Registration Department, the Sub-Registrar, Office of the District Registrar, Puducherry, replied that monthly periodic returns are received from the Sub-Registrar Offices, but no periodic returns are received from the Sub-Registrar Offices. But no periodic reports were submitted to higher authorities. In view of this, efficacy of monitoring at higher level could not be ascertained in audit.

4.14.8.2 Internal Audit

The internal audit is an effective tool in the hands of the management of an organisation to assure itself that it is functioning in an efficient manner in terms of its stated objectives.

It was observed that the Registration Department had not established an internal audit system. Further, it was also observed that no manual was prescribed for internal control and internal audit.

After this was pointed out, the Government replied (July 2011) that necessary action would be taken in future.

4.14.9 Absence of consolidated database in respect of revenue foregone

The Government while extending concessions, decides to forego revenue in pursuance of certain defined objectives. A reliable database of revenue foregone is, therefore, a pre-requisite for informed decision making.

It was observed during audit that though computerised database of the duty concessions granted at the time of registration of instruments was available at the Sub-Registrar Offices, there is no consolidated database with the District Registrar. Thus the concessions pointed were not available at one place.

After we pointed this out (July 2011), the Government stated (July 2011) that necessary action would be taken to maintain the consolidated data in future.

4.14.10 Incorrect remission of duty granted on documents registered by women

The Government issued a notification in December 2004 whereby remission of 50 per cent of stamp duty was granted to women who acquire property through conveyance, exchange or gift either individually or severally and the sole object of granting the concession was to empower women. With effect from 31 August 2009, the Government of Puducherry withdrew the concession on duty in respect of women not residing in the Union Territory of Puducherry.

As per the conditions of the above notification, the beneficiary who availed the concession is barred from creating/executing any instrument, within five years from the date of registration, in favour of any male member including power of attorney except mortgage to Government/nationalised banks/registered co-operative societies.

It was observed during test check of concerned documents in all registration offices of Puducherry that there was incorrect allowance of remission of stamp duty of ₹ 25.93 lakh as detailed in the following table:

(₹ in lakh)

Sl. No.	Name of the Sub-Registry	No. of documents/ year of registration	Nature of irregularity	Amount involved
1	Bahour, Oulgaret and Puducherry	16 / between the years 2007 and 2010	Women who purchased the property, executed sale agreement/power document/sale in favour of male members subsequently within five years. Since, the act of the executant violates the condition laid down in the notification, the original concession availed in the previous documents was required to be withdrawn and to be collected at the time of registration of the above documents.	18.08
After this was pointed out, the Government replied (July 2011) that the case would be examined and necessary action would be taken.				
2	District Registrar, Puducherry	One/ 2005	The remission allowed was not correct as the woman member has executed the document in the capacity as the head of the institution and not in her individual capacity. This resulted in short-levy of stamp duty.	2.25
After this was pointed out, the Government stated (July 2011) that the case would be examined on its merit and deficit stamp duty, if any, will be collected.				
3	Oulgaret	Five/ 2009	Properties situated in Puducherry were conveyed to women who were not residents of Puducherry and hence the documents were not eligible for rebate/concession as applicable to women. This resulted in short levy of stamp duty.	5.60
After this was pointed out, the Government stated (July 2011) that the matter would be examined and action would be taken.				
	Total			25.93

4.14.11 Incorrect grant of exemption

By a notification issued in May 1969, under the Pondicherry Co-operative Societies Act, 1965, the Government of Puducherry exempted the levy of stamp duty in respect of sale and mortgage documents executed by or in favour of co-operative societies.

It was observed during test check of data relating to sale and mortgage deeds in seven offices³ that for the period from 2005-06 to 2009-10 in respect of 657 sale deeds and 1,577 mortgage deeds executed by or in favour of co-operative societies, exemption was granted as per the notification. However, as the notification issued under the Pondicherry Co-operative Societies Act does not cover the provisions of the Indian Stamp Act, the exemption granted was not in order. This resulted in non-levy of stamp duty of ₹ 2.59 crore.

After this was pointed out, the Government replied (July 2011) that necessary action would be taken to rectify the omission.

4.14.12 Misclassification of documents

As per the IS Act, Settlement means any non testamentary disposition in writing, of movable or immovable property made – (a) in consideration of marriage, (b) for the purpose of distributing property of the settler among his family or those for whom he desires to provide, or for the purpose of providing for some person dependent on him, or (c) for any religious or charitable purpose without consideration. As per the provisions of Article 23 of the Schedule-I to the IS Act, in the case of conveyance of immovable property, stamp duty including surcharge is leviable at the rate of 10 *per cent* on the market value of the property.

As per Article 18, a deed executed by a civil or revenue court or Collector or other revenue officer should only be classified as certificate of sale.

It was observed from the concerned documents of one District Registry and five Sub-Registries that in respect of eight documents registered between the years 2007 and 2010, there was short levy of stamp duty and registration fees due to misclassification of instruments to the tune of ₹ 30.58 lakh as detailed below:

³ Bahour, Karaikal, Oulgaret, Puducherry, Thirukkanur Thirunallar and Villianur

				(₹ in lakh)
Sl. No.	Name of the Sub-Registry	No. of documents/ year of execution	Nature of irregularity	Amount short levied
1	Bahour, Oulgaret, Puducherry and Villianur	Five/2008 and 2010	Certificate of sale issued by Nationalised banks for properties conveyed by them do not come under the meaning of certificate of sales provided in Article 18. As such the sales should have been classified as conveyance deeds and stamp duty levied accordingly. The misclassification resulted in short collection of stamp duty and registration fees.	25.63
2	Karaikal	One/ 2007	A property consisting of land and building was settled by a mother, in favour of her daughter. However, it was noticed from the recitals that the settlement was made after receiving a consideration of ₹ 20 lakh. As the property was transferred with a consideration, it should have been treated as conveyance deed and stamp duty levied accordingly. The market value of the property was ₹ 50 lakh. This resulted in short collection of stamp duty and registration fees.	4.95
Total				30.58

After the above cases were pointed out, the Government stated (July 2011) that the matter would be examined on merit of the cases and deficit stamp duty if any would be collected.

4.14.13 Undervaluation of property

As per the provisions of Article 23 of the Schedule-I to the IS Act, in the case of conveyance of immovable property, stamp duty including surcharge is leviable at the rate of 10 *per cent* on the market value of the property. According to Section 27, the consideration, the market value and all other facts and circumstances affecting the chargeability of the instrument with duty or the amount of the duty with which it is chargeable shall be fully and truly set forth therein. There is no provision in the system for the department to reclassify the nature of land based on the existing nature of the property.

We observed from the concerned documents in five offices that in 12 cases of conveyance deeds registered during 2006-07 to 2009-10, there was undervaluation of properties by ₹ 31.93 crore and consequent short levy of stamp duty and registration fees of ₹ 2.78 crore as detailed in the following table:

				(₹ in lakh)
Sl. No.	Name of the Sub-Registry	No. of Documents/ Date of execution	Nature of irregularity	Amount short levied
1	Bahour, Thirukkanur and Villianur	Nine conveyance deeds/ 2006-07 to 2009-10	Properties were registered at the rates applicable to agricultural lands and stamp duty levied accordingly. However, it was observed from the recitals that the boundary, area and purpose for which the properties were conveyed revealed that the properties were residential/commercial in nature and the rates available in the same village should have been adopted for these kinds of properties. This resulted in under valuation of properties by ₹ 30.27 crore and consequent short levy of stamp duty and registration fees	268.00
The Government replied (July 2011) that necessary action would be taken to instill a mechanism to ascertain the actual nature of land for fixation of the correct market value of the property in future.				
2	Villianur	One sale deed/ 2009	In a sale deed registered in 2009, the market value of a property was stated as ₹ 62 lakh. However, a scrutiny of the sale agreement registered in 2008, revealed that for the same property, the market value was stated as ₹ two crore. The incorrect adoption of market value in the sale deed resulted in undervaluation of property and consequent short levy of stamp duty and registration fees.	7.59
3	DR, Puducherry	Two sale deeds / 2009	In the sale deeds, the rate adopted for undivided share of land was ₹ 8,333 and ₹ 8,772 instead of ₹ 10,000 per square foot adopted for other documents in the same address. This resulted in undervaluation of the property by ₹ 19 lakh and consequent short levy of stamp duty and registration fees	1.04
The Government replied (July 2011) that matter would be examined and action will be taken.				
Total				2019.63

4.14.14 Non/short collection of Stamp duty and Registration fee

According to Section 5 of the IS Act, any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of the duties with separate instruments, each comprising or relating to one of such matters, would be chargeable under this Act.

The Government of Puducherry by an order issued in August 2004 exempted the stamp duty and registration fee payable in respect of mortgage deeds executed by the lessees of arrack and toddy shops in favour of Government in the Union Territory of Puducherry.

It was observed during test check of the lease documents in eight offices⁴, that 796 mortgage deeds were executed by the lessees of arrack and toddy shops in favour of Government in the Union Territory of Puducherry during the period from 2005-06 to 2009-10. However, it was also observed that in the same document, surety/surities for equal amount were also given

⁴ Bahour, Karaikal, Oulgaret, Niravy, Puducherry, Thirukkanur, Thirunallar and Villianur

as security. The Government order does not cover mortgage deeds executed by security owners in favour of Government. Hence, as per the provisions of the IS Act, stamp duty and registration fee is leviable on the amount of mortgage secured by the surities. This resulted in non collection of stamp duty and registration fee of ₹ 87.61 lakh.

After this was pointed out, the Government replied (July 2011) that suitable rectification action would be taken in consultation with the Excise Department.

4.14.15 Incorrect adoption of market value

As per the provisions of the IS Act and the Registration Act, stamp duty and registration fees are leviable on the market value of the property prevailing on the date of execution of deed.

It was observed during test check of the concerned sale deeds in five offices⁵, that in respect of 12 cases, sale was effected by Court on account of specific performance suit preferred by the purchasers. However in the sale documents registered during the years from 2006 to 2009, the market value which prevailed at the time of execution/presentation of sale deed was not adopted. This resulted in short levy of stamp duty and registration fees of ₹ 46.40 lakh. Further, the value of the building in the land conveyed may be worked out by the department in the interest of revenue.

The Government stated (July 2011) that the matter will be examined on merit and deficit stamp duty, if any, will be collected.

4.14.16 Non registration of lease agreements

As per the provision of the Registration Act, leases of immovable property from year to year, or for any term exceeding one year, or reserving a yearly rent are compulsorily registerable. As per the provisions of the IS Act, all instruments chargeable with duty and executed by any person in India shall be stamped before or at the time of execution. As per Section 33(1)(a) of the Act *ibid*, every person having by law or consent of parties authority to receive evidence, and every person in charge of a public office, except an officer of police, before whom any instrument, chargeable, in his opinion, with duty is produced, shall, if it appears to him that such instrument is not duly stamped, impound the same. Further as per Section 33(3)(a) & (b), the State Government may determine what offices shall be deemed to be public offices and who shall be deemed to be persons in charge of public offices. However, the State Government has not notified so far which are the public offices and who are the persons in charge of public offices.

It was observed that 32 mining lease agreements of Deputy Collector (Revenue) (South), Puducherry, executed during the period from 2005-06

⁵ Bahour, Oulgaret, Puducherry, Thirukkanur and Villianur

to 2009-10 were not registered. As the State Government is yet to notify public offices, inspection by the Sub-Registrar could be made. The non registration of lease deeds resulted in loss of revenue by way of stamp duty and registration fee amounting to ₹ 26.13 lakh.

The Government stated (July 2011) that necessary action would be taken.

4.14.17 Non inclusion of Service Tax element in the calculation of lease rent

As per explanation under Article 35 to the Indian Stamp Act, 1899, when a lessee undertakes to pay any recurring charge, such as Government revenue, the landlord's share of cesses or owner's share of municipal rates or taxes, which is by law recoverable from the lessor, the amount so agreed to be paid by the lessee shall be deemed to be part of the rent.

It was observed during test check of the lease deeds in Sub-Registry, Villianur, that in four deeds registered in 2007 and 2008, the lessees had agreed to bear the expenses in connection with Service Tax payable on the lease rent. However, the same was not included in the calculation of lease rent of these documents. This resulted in short levy of stamp duty of ₹ 3.63 lakh.

The Government stated (July 2011) that action will be taken to collect the stamp duty and registration fees on service tax component in future. However the reply is silent about the cases mentioned in audit.

4.14.18 Incorrect allocation of transfer duty surcharge

As per Schedule VII under Section 158 of the Pondicherry Municipalities Act, 1973 and Schedule IV under Section 149 of the Pondicherry Village and Commune Panchayat Act, transfer duty surcharge at the rate of five *per cent* on the market value of the property is collected and allocated to the local bodies.

We observed during test check of the surcharge registers in three offices⁶ with monthly statements for the period between May 2007 and September 2007 that though no transfer duty surcharge was collected that in respect of three documents, an amount of ₹ 27.53 lakh was allocated to local bodies. The Government stated (July 2011) that necessary action would be taken.

⁶ Karaikal, Thirunallar and Villianur

4.14.19 Other points of interest

4.14.19.1 Non provision for field inspection for correct valuation of building

The Government of Puducherry adopted the PWD rate as applicable to Tamil Nadu State in respect of buildings conveyed in the Union Territory of Puducherry (Puducherry and Karaikal region).

It was observed that for the years 2007-08 and 2009-10, the rate as applicable to the State of Tamil Nadu was not correctly adopted. In Tamil Nadu, for municipal areas, an addition of five *per cent* over and above the PWD rates is adopted for valuation of buildings. However, this was not followed for municipal areas, namely, Puducherry and Karaikal.

After this was pointed out, the Government stated (July 2011) that the audit observation will be noted for future guidance.

4.14.19.2 Short levy of registration fee

As per the provisions of the Registration Act, registration fee at the rate of half *per cent* on the value of property is required to be collected.

It was observed in the offices of Sub-Registries, Bahour and Thirukkanar, that in respect of eight documents registered between the years 2007 and 2009 immovable and movable properties were held by trusts in its name at the time of registration. However, the same were not valued, and instead, registration fee on the corpus fund only was levied which was not in order.

After this was pointed out, the Government stated (July 2011) that the case will be examined and action will be taken.

4.14.20 Conclusion

The internal control mechanism is not adequate and also there is no internal audit in the department. The Department does not have a consolidated database in respect of revenue foregone on the remission/exemption of stamp duty. The remissions granted to women have not been properly monitored.

4.14.21 Recommendations

The Government may consider:

- maintaining a consolidated data of revenue earned and revenue foregone for effective control;

- introducing internal control system/internal audit wing for effective monitoring of the functions of the Department through periodical inspections; and
- issuing instructions to other Departments concerned for ensuring registration of documents requiring compulsory registration.

CHAPTER V
GOVERNMENT COMMERCIAL
AND
TRADING ACTIVITIES

CHAPTER V

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) were established to carry out commercial activities keeping in view the welfare of people. As on 31 March 2011, there were 13 Government companies (all working) and none of them was listed on the stock exchange(s). These PSUs registered a turnover of ₹ 338.35 crore as per their latest finalised accounts as of September 2011. This turnover was equal to 3.01 *per cent* of State Gross Domestic Product (GDP) for 2009-10. The major activities of PSUs are concentrated in financing and manufacturing sectors. The PSUs incurred an aggregate loss of ₹ 58.80 crore as per their latest finalised accounts. They had employed 5,902 employees as of 31 March 2011.

5.1.2 No PSU was either established or closed during 2010-11.

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 C&AG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by C&AG as per provisions of Section 619 of the Companies Act, 1956.

Investments in State PSUs

5.1.5 As on 31 March 2011, the investment (capital and long-term loans) in 13 PSUs was ₹ 723.88 crore as per details given below:

(₹ in crore)

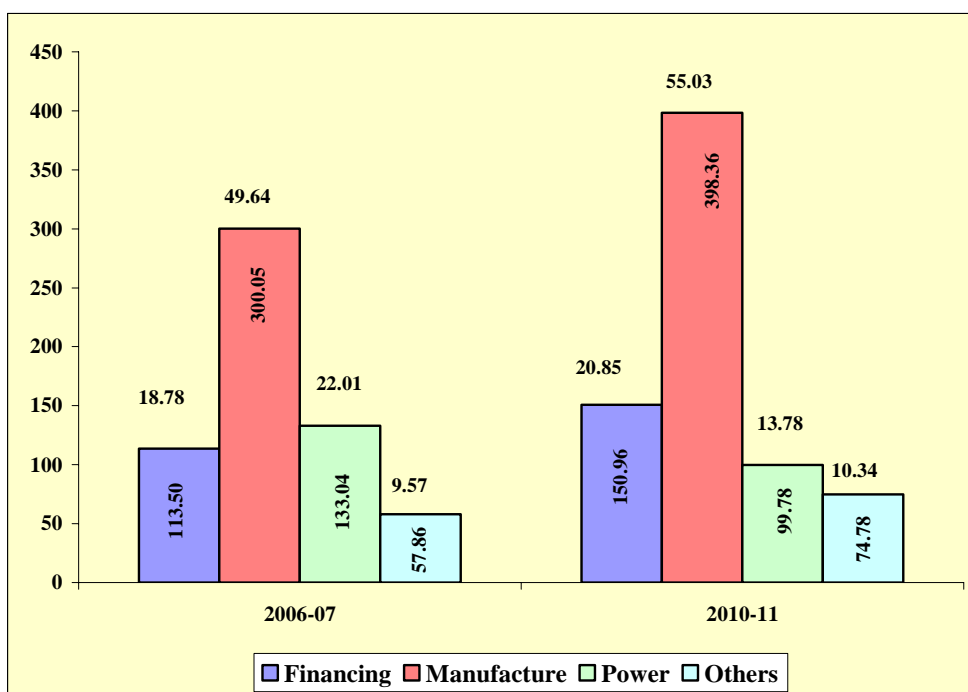
Type of PSUs	Capital	Long Term Loans	Total
Working PSUs	704.29	19.59	723.88

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

5.1.6 Of the total investment in the 13 PSUs as on 31 March 2011, 97.29 *per cent* was towards capital and 2.71 *per cent* in long-term loans. The investment has grown by 19.76 *per cent* from ₹ 604.45 crore in 2006-07 to ₹ 723.88 crore in 2010-11.



5.1.7 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2011 are indicated in the bar chart.



Budgetary outgo, grants/subsidies, guarantees and loans

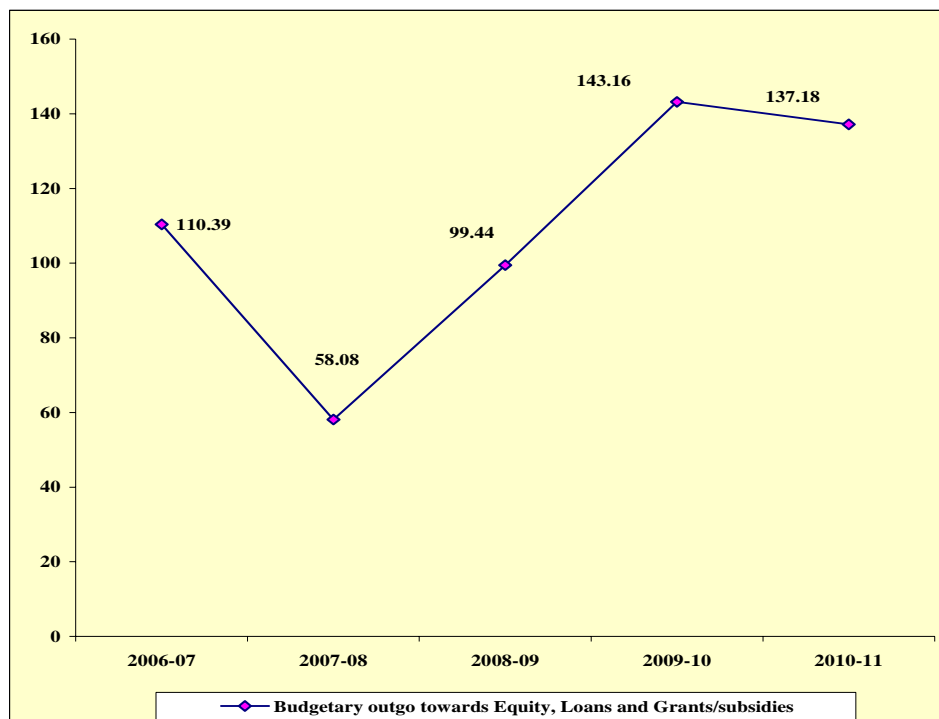
5.1.8 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Appendix 5.3**. The summarised details of budgetary support from Government of UT of Puducherry are given below for three years ended 31 March 2011.

(Amount - ₹ in crore)

S.No	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	7	40.52	7	65.72	7	17.72
2	Loans given from budget	1	0.95	---	---	1	0.32
3	Grants/Subsidy received	5	57.97	5	77.44	6	119.14
4	Total Outgo (1+2+3)	9 ¹	99.44	8 ¹	143.16	8 ¹	137.18
5	Loan converted into equity	--	---	--	---	2	4.01
6	Guarantee Commitment	1	3.19	1	4.97	1	4.97

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

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



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 year, loans given to two² companies were converted into equity.

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 2011. 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 UT 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

² Puducherry Agro Products, Food and Civil Supplies Corporation Limited (₹ 0.93 crore) and Pondicherry Textile Corporation Limited (₹ 3.08 crore).

should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts 2010-11	Amount as per records of PSUs	Difference
Equity	692.66	693.92	1.26
Loans	0.94	3.78	2.84

5.1.12 Audit observed that the differences occurred in respect of five PSUs and the differences were pending reconciliation over a period of four years upto 2010-11. 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 UT GDP for the period 2006-07 to 2010-11.

(₹ in crore)

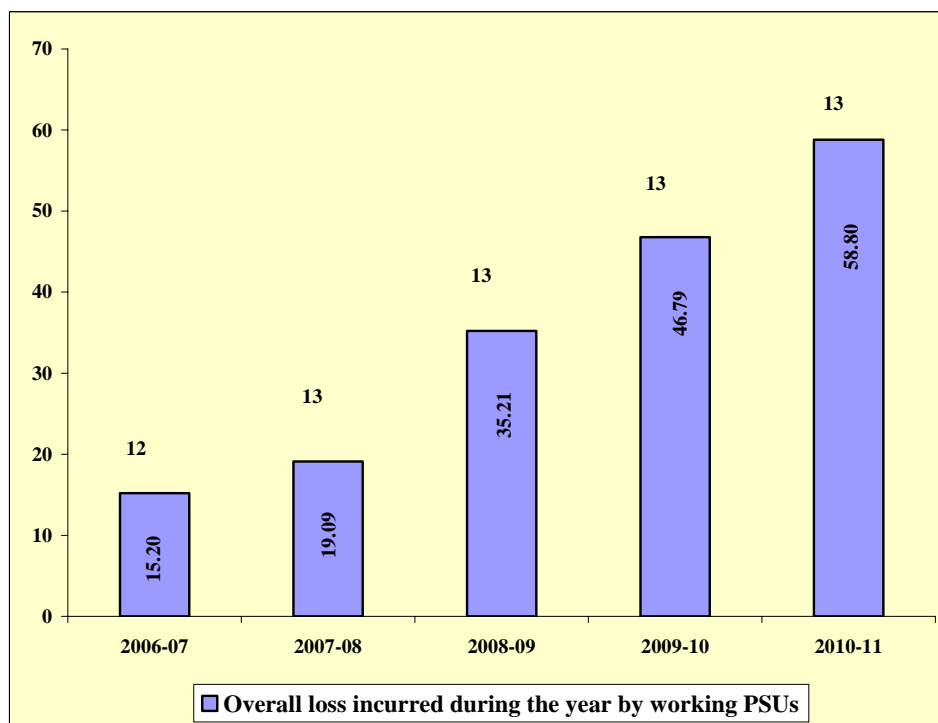
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover	343.31	307.39	399.89	308.53	338.35 ³
State GDP	6,401	7,103	11,773.57	11,255.23	11,255.23 ⁴
Percentage of Turnover to State GDP	5.36	4.33	3.40	2.74	3.01

The percentage of turnover to State GDP in 2010-11 increased compared to 2009-10 due to restatement of State GDP by adopting 2004-05 as base year.

5.1.14 The overall losses incurred by the UT PSUs during 2006-07 to 2010-11 are given below in the bar chart.

³ Turnover as per latest finalised accounts as of 30 September 2011

⁴ The State GDP for 2010-11 was not available



During the year 2010-11, out of 13 PSUs, four PSUs earned profit of ₹ 16.48 crore while seven PSUs incurred loss of ₹ 75.28 crore leading to overall loss. Two working PSUs prepared their accounts on 'no profit no loss' basis. The major contributors to profit were Puducherry Power Corporation Limited (₹ 11.09 crore) and Puducherry Distilleries Limited (₹ 4.64 crore). Heavy losses were incurred by Pondicherry Textiles Corporation Limited (₹ 56.39 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, operational management and monitoring. A review of the latest Audit Reports of C&AG showed that the UT PSUs incurred avoidable expenditure/loss of revenue to the extent of ₹ 9.62 crore and infructuous investment of ₹ 1.21 crore. Year wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Profit (loss)	(35.21)	(46.79)	(58.80)	(140.80)
Controllable losses as per C&AG's Audit Report	6.83	0.96	1.83	9.62
Infructuous investment	1.21	---	---	1.21

5.1.16 The above losses pointed out by Audit Reports of C&AG were based on test check of records of PSUs. Therefore, 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	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (<i>Per cent</i>)	NIL	NIL	NIL	NIL	NIL
Debt	40.40	14.89	11.48	16.46	19.59
Turnover	343.31	307.39	399.89	308.53	338.35
Debt/Turnover Ratio	0.12:1	0.05:1	0.03:1	0.05:1	0.06:1
Interest Payments	3.86	4.54	7.25	10.49	10.56
Accumulated Losses	144.74	211.36	263.76	268.60	378.51

5.1.18 As per the latest finalised accounts of PSUs as on 30 September 2011, the capital employed worked out to ₹ 572.42 crore and total return thereon amounted to ₹ (-)48.24 crore. This is in comparison to capital employed of ₹ 530.83 crore and return on capital employed of ₹ (-)11.34 crore in 2006-07. 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 ₹ 16.48 crore and three PSUs⁵ declared a dividend of ₹ 5.47 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 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 2011.

⁵ Pondicherry Industrial Promotion Development and Investment Corporation Limited (₹ 0.10 crore), Puducherry Power Corporation Limited (₹ 4.44 crore) and Puducherry Distilleries Limited (₹ 0.93 crore).

S.No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of PSUs	13	13	13	13	13
2.	Number of accounts finalised during the year.	8	12	13	13	8
3.	Number of accounts in arrears	19	20	20	20	25
4.	Average arrears per PSU (3/1)	1.46	1.54	1.54	1.54	3.13
5.	Number of PSUs with arrears in accounts	11	12	13	13	13
6.	Extent of arrears	1 to 3 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 11 companies in 2006-07 to thirteen companies from 2008-09 to 2010-11. The extent of arrears remained the same at one to three years during the five years ending 2010-11. The companies should make efforts to reduce the arrears in finalisation of accounts.

5.1.22 The Government had invested ₹ 260.93 crore (Equity: ₹ 40.48 crore, Loans: ₹ 1.27 crore, Grants/Subsidies: ₹ 219.18 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 of overseeing the activities of these entities and ensuring 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 measures were 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 (May 2011) with the Chief Secretary to UT Government to expedite the finalisation of accounts in arrears.

Accounts Comments and Internal Audit

5.1.24 Eight companies forwarded their accounts to C&AG during the year 2010-11. Of these, accounts of *four* companies were selected for supplementary audit. The audit reports of statutory auditors appointed by C&AG and the supplementary audit of C&AG 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 C&AG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.01	1	0.88	---	---
2.	Increase in loss	2	12.74	1	7.53	2	5.79
3.	Errors of classification	1	0.10	1	0.52	1	0.60
	Total	3	12.85	3	8.93	2	6.39

5.1.25 During the year, the statutory auditors had given unqualified certificates for four accounts, qualified certificates for three accounts and disclaimer for one account. Additionally, C&AG, during the supplementary audit, gave comments on two accounts.

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

Pondicherry Corporation for Development of Women and Handicapped Persons Limited (2007-08)

- The Company utilised ₹ one crore of share capital for repayment of overdue loan amount which is not in accordance with generally accepted accounting principles.

Pondicherry Textiles Corporation Limited (2009-10)

- 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 and (iii) realisability of slow moving/non-moving items valued at cost.
- There was understatement of loss due to:
 - (i) non-provision of gratuity liability of ₹ 0.94 crore.

(ii) accounting of Voluntary Retirement Scheme compensation as receivable from Government of Puducherry without orders - ₹ 1.04 crore.

(iii) non-provision of ESI contribution on the interim relief granted to workers and contract labourers - ₹ 1.79 crore.

(iv) Valuation of process stock of unpacked grey cloth at cost despite its realisable value being lower than the cost - ₹ 1.95 crore.

Puducherry Distilleries Limited (2007-08)

- Overstatement of cash and bank balance by ₹ 0.60 crore due to inclusion of deposit made with Puducherry Co-operative Sugar Mills, which should have been correctly classified under loans and advances.

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 C&AG 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 2010-11 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.	There was no system of making short term/long term business plans and review the same with actuals	3	8, 12 & 13
2.	Internal audit requires strengthening	2	2 & 9
3.	Internal audit manual not prescribed	2	8 & 9
4.	Internal control system requires strengthening	1	13
5.	Delineated fraud policy not available	4	2, 8, 12 & 13
6.	Non-formation/non-convening of Audit Committee in compliance with Section 292-A of the companies Act, 1956	2	5 & 13
7.	Non-maintenance of proper register for fixed assets	1	5
8.	There was no system of identifying slow moving/non-moving	1	9
9	There was no approved IT strategy or plan	3	2, 3 & 13

5.2 Schemes implemented by Social Sector Companies of Puducherry

Introduction

5.2.1 The Government of Union Territory of Puducherry formed Puducherry Adi Dravidar Development Corporation Limited (PADCO) and Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDC) in September 1986 and March 1999 respectively for raising the economic status of Scheduled Caste (SC), Other Backward Classes (OBC), Most Backward Classes (MBC) and minorities in the Territory.

These companies are the State Channelising Agencies (SCAs) for the schemes financed by National Scheduled Caste Finance and Development Corporation (NSFDC), National Safai Karmachari Finance and Development Corporation (NSKFDC), National Backward Classes Finance and Development Corporation (NBCFDC) and National Minorities Development and Finance Corporation (NMDFC) and also get share capital assistance from Central/UT Government. In addition, PADCO gets Special/UT Assistance for schemes like education loan, micro credit, etc. The funds received from these sources are distributed to the targeted beneficiaries through the following schemes:

PADCO	PBCMDC
Term loan financed by NSFDC/NSKFDC	Term loan financed by NBCFDC/NMDFC
Margin money loan-cum-subsidy through banks	Subsidy-cum-term loans through banks
Micro credit finance scheme	Micro credit finance scheme
Education loan	Education loan

5.2.2 PADCO and PBCMDC had disbursed loans aggregating to ₹ 39.92 crore among 16,867 beneficiaries under various schemes during 2006-11 as detailed below:

Sl. No.	Name of the Company	Estimated population of targeted groups below poverty line				Total number of beneficiaries covered during the audit period				Percentage of coverage (Col. (10)/ Col. (6) X 100)
		Puducherry	Karikal	Mahe/ Yanam	Total	Puducherry	Karikal	Mahe/ Yanam	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	PADCO	N.A	N.A	N.A	34,236	9,837	1,278	548	11,663	34.0
2.	PBCMDC									
	BC	1,03,718	24,090	9,622	1,37,430	3,941	204	---	4,145	3.0
	Minorities	16,209	8,689	2,951	27,849	910	149	---	1,059	3.8

The performance of PADCO was last reviewed and included in the Report of the C&AG of India – Government of Puducherry for the year ended 31 March 2002. Audit had concluded then that PADCO’s achievement of its main objectives viz., economic upliftment of Adi-dravidar community was below the satisfactory level. PAC recommended (February 2006) that PADCO should take steps to set up its own employment oriented training industries as envisaged in the main objectives of the Company.

In light of Audit’s earlier conclusions, PAC’s recommendations and the low coverage of the targeted beneficiaries during the five years up to 2011, we took up (between January 2011 and May 2011) a performance audit of the welfare schemes (excluding education loan)⁶ of PADCO and PBCMDC to assess the effectiveness of implementation of these schemes and their impact on the financial status of the beneficiaries. The financial assistance examined in the present performance audit was 62 percentage of the total disbursement (₹ 39.92 crore) during 2006-07 to 2010-11. Our examination involved scrutiny of records of the head office and Karaikal branch, which comprised 98 *per cent* of the total sanction of loan.

Financial position and management

5.2.3 The financial position and working results of these companies for the three years up to 2008-09 (the period up to which the data is available with these companies) are given in **Appendix 5.5** and **5.6**. From the **Appendix 5.6**, it could be seen that these companies do not earn income from their business activities to the sustainable level, but were dependent on the Government support for running their day-to-day operations.

We further noticed that these two companies collectively received funds amounting to ₹ 65.68 crore during the five years ending 31 March 2011 from the State/GOI and National Funding Institutions by way of equity, grants, loan and subsidy. The details of drawal of funds, unutilised scheme funds and the resultant accumulation in the FDs in respect of these companies are given below:

PADCO

(₹ in crore)

Sl.No.	Particulars	2006-07	2007-08	2008-09	2009-10
1.	Receipt from NSFDC/NSKFDC and Government of Puducherry	6.54	7.05	9.30	8.62
2.	Undisbursed amount	1.10	1.92	6.76	0.75
3.	Increase in fixed deposits	1.04	1.88	5.84	1.17

⁶ The education loan of ₹14.99 crore distributed by PADCO/PBCMDC to 3,032 beneficiaries during 2006-11 was not evaluated as this loan would have the impact on the financial status of the beneficiaries only after completion of education from 2011-12 to 2015-16

PBCMDC

(₹ in crore)

Sl.No.	Particulars	2006-07	2007-08	2008-09	2009-10
1.	Receipt from NBCFDC/NMDFC and Government of Puducherry	3.40	3.00	5.67	7.46
2.	Undisbursed amount	(-)0.24	(-)1.18	1.03	0.79
3.	Increase in fixed deposits	(-)0.29	(-)0.43	1.21	(-)0.03

A review of the funds management of these companies indicated that PADCO did not fully utilise the funds earmarked for schemes but parked the undisbursed funds in interest earning fixed deposits (FD). However, PBCMDC disbursed a major portion of the funds received. The FDs of PADCO which were at ₹ 27.50 lakh in April 2006 had increased to ₹ 10.21 crore in March 2010 due to non-disbursal of scheme funds during the four years up to 2009-10. The Government of Puducherry while allocating the annual funds for schemes had advised PADCO to utilise the funds in a time bound manner. Similarly, the national funding agencies had repeatedly stressed that the SCAs should utilise the funds within three months of its receipt, failing which, the SCAs had to bear penal interest of 3 per cent over and above the normal rate of interest and any unspent balance beyond six months had to be refunded to funding agencies. However, PADCO neither disbursed the scheme funds as per these directions nor refunded the unspent balance of ₹ 3.62 crore to NSFDC/NSKFDC till date (September 2011). Consequently, PADCO had become liable to pay penal interest of ₹ 26.98 lakh (as worked out by audit) for the unspent amount (up to September 2011). We further noticed that PADCO while placing the unspent amount of ₹ 3.07 crore received from NSFDC (during 2005-06 to 2009-10) in short term deposits, had recorded that NSFDC may be paid penal interest out of fixed deposits earnings as FDs earned higher rate of interest (3.5 to 6 per cent) compared to the interest rate of 3 per cent payable to NSFDC. This was indicative of the deliberate decisions of PADCO to earn profits out of the financial assistance by investing in FDs instead of extending funds to earmarked welfare schemes.

Target and achievement

5.2.4 The physical and financial target and the achievements there against by PADCO and PBCMDC for the years 2006-07 to 2010-11 were as follows:

Details	2006-07	2007-08	2008-09	2009-10	2010-11
PADCO					
Number of targeted beneficiaries	2,510	2,517	3,912	3,155	3,370
Number of beneficiaries assisted	1,434	2,662	708	2,540	2,314
Financial Target (₹ in lakh)	413.66	492.70	563.69	662.16	581.29
Financial achievement	177.90	350.96	156.05	527.73	381.43
PBCMDC					
Number of targeted beneficiaries	1,617	1,221	1,320	2,050	2,904
Number of beneficiaries assisted	651	496	249	353	501
Financial target (₹ in lakh)	106.15	133.70	191.30	306.60	562.98
Financial achievement	49.53	125.08	131.26	161.16	376.57

We observed that:

- Though the companies had fixed annual physical and financial targets, the Government of Puducherry had not fixed any target for these two companies during the audit period up to 2010-11 indicating absence of action plan and drive at the Government level for expeditious coverage of beneficiaries.

PBCMDC replied (September 2011) that the representatives of the Government of Puducherry were in its Board of Directors (BOD) and hence the Company's targets were to be considered as targets of the Government. The fact, however, remained that there was no mechanism at the Government level to fix its target and drive the Company to achieve the said target.

- There was no system of fixing target by identifying the beneficiaries by these companies at the village/block/region level.
- PADCO delayed disbursement of term loan to the selected beneficiaries in respect of 47 *per cent* of 221 cases test-checked by audit and the delays ranged from four to 16 months. In PBCMDC, such delays ranged from four to 18 months in respect of 42 *per cent* of the 657 cases test-checked. PADCO also delayed disbursement of subsidy and margin money (₹ 55 lakh) to the banks in respect of loan-cum-subsidy scheme. The delays ranged from three to seven months in respect of 33 *per cent* of 1,117 cases test-checked by us. The delays, as analysed by Audit, were attributable to procedural delays of verification of the beneficiaries' document and antecedents, delays in verification of the premises of the beneficiaries and delays in disbursement of the loan assistance after completion of verification.
- We observed that the targets of the Companies were not based on

the assessment of capabilities of the beneficiaries at the village level/block level to undertake specified activities. PADCO extended financial assistance for setting up of a petty shop/ provision stores to 60 beneficiaries of the same village and same street without analyzing the viability of these business in a single village.

Implementation of schemes

Margin money loan scheme of PADCO and PBCMDC

5.2.5 The margin money loan-cum-subsidy scheme was implemented by PADCO through banks. The Company identified the eligible beneficiaries to the banks. On receipt of intimation of sanction (Form-I) from banks, subsidy at the rate of 50 *per cent* of the loan amount subject to a ceiling of ₹ 10,000 was released to the banks. Margin money at 25 *per cent* of the unit cost or maximum of ₹ 6,250 was kept as fixed deposit with the loan disbursing banks for a period of three years. Interest on margin money deposit would be shared equally by the Company and the beneficiary. The banks were responsible for recovery of the loan. During 2006-11, PADCO had disbursed subsidy of ₹ 5.13 crore and margin money deposit of ₹ 3.48 crore to 5,829 beneficiaries.

PBCMDC, in respect of the similar scheme implemented by it would release subsidy equivalent to 2/3rd of the loan amount with a ceiling of ₹ 4,000. During the audit period 2006-11, PBCMDC disbursed a subsidy of ₹ 42.21 lakh to 1,083 beneficiaries. We observed that:

- Both the companies released the subsidy and margin money to the lending banks on the basis of sanction letter (Form-I) issued and no action was taken to verify the disbursement of loans by the banks. **Audit conducted an independent verification of loan disbursement by ten Primary Agricultural Co-operative Banks (PACBs), involving disbursement of subsidy to 1,539 beneficiaries. We noticed that even though the loan amounts were disbursed as per the individual loan ledgers of all the ten PACBs, the loan was shown as repaid in the subsequent week by reversal entry and the loan accounts were closed. Thus, in all the cases, the PACBs had denied loan to the beneficiaries and disbursed only the subsidy portion but retained the margin money deposit of ₹ 63.38 lakh with themselves.**

Term loan scheme of PADCO

5.2.6 Out of the funds received from NSFDC, PADCO extended term loan to SC beneficiaries to promote self-employment among the targeted beneficiaries. The maximum amount fixed for loan assistance was ₹ one lakh which was repayable in 60 instalments and would carry interest rate of six *per cent per annum*. We examined disbursement of term loan amounting to ₹ 2.12 crore to 221 beneficiaries during our audit and observed that:

- The beneficiaries submitted the loan application to PADCO along with quotation from the wholesale traders/dealers which would form the basis for fixing the quantum of term loan. As per guidelines of NSFDC, PADCO should release payment to supplier/manufacturer only after verification of procurement of the asset. We noticed that none of the supplier had actually furnished the invoice for supply of asset after receipt of cheques. However, PADCO had disbursed ₹ 80 lakh to 80 beneficiaries during the audit period without bills/invoices. Further, there was no inspection carried out by the Company to ensure that suppliers had actually supplied the materials/assets before commencement of business activity.
- The scheme envisaged insurance coverage of the assets by the beneficiaries throughout the loan period of five years in the name of beneficiaries and PADCO. However, in disbursement of loan of ₹ 72 lakh to 31 beneficiaries for purchase of milch animals, the Company had details of the insurance premium paid by the beneficiaries only for first year in respect of 27 cases. In none of the cases, PADCO ensured insurance coverage for the subsequent years.
- Similarly, PADCO did not insist on payment details of insurance premium for purchase of power tillers in 23 cases involving a term loan amount of ₹ 30.27 lakh.
- This scheme envisaged assistance only to those beneficiaries who are 'below the poverty line'⁷ in the rural areas and 'below double the poverty line'⁸ in urban areas. However, we noticed that in two cases (loan: ₹ two lakh), the beneficiaries submitted income certificates indicating that they belonged to 'below double the poverty line' but they were Income Tax Assessees and paid Income Tax.
- PADCO extended term loan of ₹ 25 lakh to 25 beneficiaries and accepted surety from persons, whose take home pay was insufficient to cover the loan instalment value against all financial ethics and norms. In 15 cases, it was observed that same persons stood as surety for more than one loan.

Term loan scheme of PADCO financed by NSKFDC

5.2.7 PADCO extended term loan up to ₹ five lakh out of NSKFDC funds to people engaged in scavenging activities and their dependant family members without any income limit. The loan was repayable in five years with interest at the rate of six *per cent per annum*. During 2006-07,

⁷ Families having income below ₹ 22,000 *per annum* are below poverty line families.

⁸ Families having income below ₹ 44,000 *per annum* in rural areas and families having income below ₹ 55,000 *per annum* in urban areas are classified as below double the poverty line.

PADCO disbursed loans to the extent of ₹ 69.25 lakh to 15 people. We observed in a test check, the following irregular disbursements:

- Loan amount of ₹ five lakh extended to a beneficiary for purchase of tractor and trailer without ascertaining the proof of purchase *i.e.*, invoice, registration number allotted by Regional Transport Officer and insurance premium paid by the beneficiary.
- Loan amount of ₹ 4.75 lakh disbursed to a beneficiary for running a dairy business of which a sum of ₹ three lakh was released for purchase of 20 cows without insisting on proof of insurance and tagging of the animals as was done under NSFDC term loan.
- In seven cases, loan of ₹ five lakh each was disbursed on the basis of certificate issued by the President of Scavengers Association, who had certified and recommended loans including for his spouse. In four other cases, the Company accepted the certificate issued by a Health officer, instead of obtaining certificate from competent official *viz.*, Municipal Manager or from Sanitary Inspector. The Company disbursed the loan without verifying the genuineness of the association and employment proof of the beneficiaries as scavengers.
- The Company has accepted surety of a Government official whose take home pay was ₹ 4,700 for loans to two persons amounting to ₹ 10 lakh for which the monthly EMI works out to ₹ 8,300 (principal amount alone).

We conclude that the scheme was implemented compromising the checks and balances which led to NIL recovery of the entire loan of ₹ 69.25 lakh disbursed.

Term loan scheme of PBCMDC

5.2.8 PBCMDC had given term loans up to ₹ one lakh to BC and minority beneficiaries, who hailed from below double the poverty line. The loan amount was financed by NBCFDC and NMDFC carried an interest of six *per cent per annum* and was repayable in 60 instalments. During our audit, we examined the loan sanctioned to 657 beneficiaries for an amount of ₹ 4.97 crore out of the total disbursement to 1,167 beneficiaries involving loan amount of ₹ 8.01 crore and observed:

- PBCMDC released an amount of ₹ 2.09 crore to 272 beneficiaries for purchase of milch animals without any proof of purchase and without insurance/tagging of the milch animal though such a system was to be followed by SCAs before disbursal of loan as per the Scheme guidelines.
- Term loan of ₹ 1.88 crore was disbursed to 212 beneficiaries who had not indicated even the place of business. However, as per the terms and conditions of funding agencies, PBCMDC was

responsible for ensuring creation of assets out of the scheme funds. In the absence of basic data on location of the business, there was no proof that the beneficiaries have actually commenced their business and were earning regular income after the assistance.

- In case of 20 loans (₹ 13.83 lakh), the beneficiaries submitted family income certificates which were below double the poverty line. However, we noticed that spouses who stood surety for the loanees had income above double the poverty line, thus making them ineligible for the financial assistance.
- As per the policy of PBCMDC, term loan was to be given to the beneficiaries of age between 18 and 45 years. In 16 cases, loan amount of ₹ 12.48 lakh was disbursed to persons who had crossed the upper age limit.
- As per policy of the PBCMDC, a person standing surety for a loan should be a Government servant. However, in 72 cases the sureties were employees of co-operative bodies and daily wage employees.
- PBCMDC extended loan to five beneficiaries though the sureties' balance period of service was less than the loan repayment period of five years.

PBCMDC in accepting the contentions replied (September 2011) that shortcomings pointed out by Audit would be rectified in future and further stated that instructions were already given to have updated data base of sureties, accept sureties only from Government employees and verify creation of assets.

Low/middle investment credit scheme

5.2.9 PADCO provided loan at the rate of ₹ 5,000/₹ 10,000 to the SC beneficiaries for commencing petty business. The loans carried interest at the rate of four *per cent per annum* and were to be repaid in 25 instalments without any moratorium. Beneficiaries were eligible for back end subsidy at the rate of 50 *per cent* of the loan amount. Between 2006 and 2011, PADCO had disbursed ₹ 1.03 crore to 2,051 beneficiaries under this scheme. We test checked 1,667 loan sanctions for an amount of ₹ 83.35 lakh and observed:

- PADCO disbursed the entire loan of ₹ 83.35 lakh in cash directly to the beneficiaries (at the rate of ₹ 5,000 each) without any proforma invoice/quotation from the suppliers. After disbursement of the loan, PADCO failed to obtain any proof for purchase of asset. This violated the scheme guidelines to provide loan assistance only for identified business activities.
- Against the Company's policy to accept surety only from Government servants, PADCO accepted mutual surety of beneficiaries of this scheme. It is pertinent to note that the

Company did not get the approval of its BOD for such deviations. Such unauthorised relaxation of securitisation policy had hampered recovery of loan as was evident from the fact that the loan recovery was a dismal 11 *per cent* of the disbursements.

Scheme for rehabilitation of manual scavengers

5.2.10 The GOI launched (January 2007) the scheme for rehabilitation of manual scavengers through NSKFDC by March 2009. Under this scheme, Micro Credit Loan was given up to ₹ 25,000 with five *per cent* interest (four *per cent* in case of women scavengers and their dependent daughters) along with front end subsidy of 50 *per cent* of the loan amount. According to the survey conducted by Pondicherry University Community College as requested by PADCO, there were 87 families comprising 347 scavengers in Puducherry, Karaikal and Mahe regions. Against PADCO's request for sanction of ₹ 42.50 lakh, NSKFDC released (February 2008) ₹ 19.75 lakh towards capital subsidy at ₹ 12,500 to 158 scavengers and ₹ 4.40 lakh towards training. However, PADCO provided subsidy of ₹ 3.75 lakh to 30 beneficiaries and spent ₹ 0.76 lakh on training to 15 beneficiaries and returned funds of ₹ 16 lakh to NSKFDC along with unutilised amount of ₹ 3.64 lakh earmarked for training during July 2008. Thus, the Company failed to fulfill the broad objective of GOI *viz.*, rehabilitation of manual scavengers.

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5.2.11 PADCO submitted a proposal (January 2007) to NSKFDC to give loans to 100 women beneficiaries and received ₹ 22.50 lakh (April 2007). The Company could not identify the beneficiaries and the amount was refunded to NSKFDC in March 2008.

Monitoring and Impact assessment

5.2.12 Post disbursement monitoring of beneficiary is necessary to ensure that the financial assistance was used for intended purpose. The central funding agencies have directed the SCAs to install effective monitoring mechanism and send periodical information relating to progress and implementation of the scheme. As per the guidelines, the SCAs are to carry out impact study of assistance and visit the beneficiaries' atleast twice during the loan period for follow up. Our scrutiny of monitoring system of the companies revealed:

- No procedure was evolved by PADCO and PBCMDC for post disbursement monitoring of the beneficiaries nor did the companies have data on the financial status of the loanees after the assistance.
- PADCO had not obtained Form-2 from the lending banks as proof of disbursement of loan to the beneficiaries. Also, PADCO had not insisted to the banks to return the margin money in respect of undisbursed loans.

We observed that the monitoring mechanisms of these companies were below the standards prescribed by the funding agencies. However, PBCMDC claimed (September 2011) that it was undertaking post disbursement inspections of the beneficiaries, but it could not produce any proof of such inspections. During our audit, we interacted with 27⁹ out of 221 beneficiaries who had availed term loan from PADCO and 173⁹ out of 1,167 beneficiaries who had availed term loan from PBCMDC. Our interaction revealed the following:

PADCO	PBCMDC
Default in repayment due to inadequate income generation (12 beneficiaries)	Default in repayment due to inadequate income generation (30 beneficiaries)
Assets not created (eight beneficiaries)	Assets not created (24 beneficiaries)
Assets sold before completion of the loan (one beneficiary)	Assets sold before completion of the loan (four beneficiaries)
Loan utilised for different purpose (NIL)	Loan utilised for different purpose (19 beneficiaries)
Loan disbursed to the beneficiaries who have income above the income ceiling (one beneficiary)	Loan disbursed to the beneficiaries who have income above the income ceiling (44 beneficiaries)

There is an urgent need for these companies to revisit their conditions, checks and balances and take remedial action.

Recovery performance

5.2.13 Due to deficiencies in implementation and monitoring the schemes, the recovery performance of PADCO was dismal and had impaired its ability to recycle the funds for further assistance to other needy beneficiaries. The percentage of collection of dues stood at a maximum of 2.01 *per cent* for the three years from 2006-07. The scheme-wise details of the recovery performance of PADCO are given in **Appendix 5.7**.

We were unable to assess the recovery performance of PBCMDC due to non-maintenance of updated data on outstanding amounts of principal and interest as on March 2011. The Company's accounts finalised up to 2008-09 did not contain the information on outstanding loan and interest of various schemes. However, the Company claimed that its recovery performance on 31 March 2009 was 39.47 *per cent*. We observed that the poor recovery performance of these companies was mainly due to:

- Not sending demands and reminders for defaulting beneficiaries.
- Non-maintenance of updated loan registers of individuals (PBCMDC).

⁹ The beneficiaries were selected on random basis.

- Not invoking the surety for recovery of defaulted payments.
- Both the companies never encashed the cheques (10 leaves of cheque received from beneficiaries for each term loan) obtained from the beneficiaries to enforce recovery even after defaults by them.

This lack of seriousness in recovering the earlier loans led to PADCO's repayment of overdue amount of ₹ 2.84 crore to NSFDC from its fresh sanctions. PADCO was eligible for share capital assistance from GOI, if it maintained the minimum recovery of 60 *per cent* of the loan to the beneficiaries. Due to the poor recovery of loan, it had to forego share capital assistance of ₹ 10.96 crore from GOI for the period from 2005-2011. PBCMDC repaid ₹ 0.93 crore of overdue amount to NBCFDC out of the State's share capital assistance.

PBCMDC replied (September 2011) that it had already taken number of steps to improve its recovery performance.

Conclusion

- Both the companies did not have the data base of eligible beneficiaries at village/block level and consequently could not accurately plan their activities.
- There was shortfall in achievement of annual targets due to avoidable delays in selection of beneficiaries.
- PADCO retained a major portion of the scheme funds in interest bearing short term deposits instead of disbursement to needy beneficiaries.
- Both the companies disbursed the term loans without verifying the purchase and installation of asset and its insurance, though such control was required as per the directives of their apex funding agencies.
- Instances of selection of ineligible beneficiaries, obtaining inadequate security, *etc.*, were noticed.
- Implementation of term loan-cum-subsidy scheme through PACBs proved to be a failure as PACBs did not release their portion of loan to the selected beneficiaries.
- Both the companies failed to monitor the schemes during and after implementation and did not install an effective recovery mechanism leading to poor recovery.

Recommendations

The companies need to:

- Prepare annual plan and need based strategic plan required for the schemes.

- Improve implementation of the schemes by proper identification of the deserving beneficiaries.
- Avoid procedural delays and ensure that the schemes achieve the stated objectives.
- Constantly monitor the productive use of the assets to assess the impact of the schemes and carry out mid term corrections, wherever necessary.
- Install an effective recovery mechanism.

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5.3 Inadmissible pay and allowances

The Company allowed inadmissible pay and allowances amounting to ₹ 1.83 crore to employees for the period from September 2006 to February 2011.

Puducherry Agro Service and Industries Corporation Limited (Company), which is engaged in turn key engineering projects on behalf of the Government of Union Territory (UT) of Puducherry regulates the pay and allowances to its employees as per the existing pay structure of Government of India (GOI).

The Company decided (September 2006) to grant two increments to all the employees, pending implementation of the new pay scales as per the recommendations of Sixth Pay Commission of GOI. The Company also decided (September 2006) that these increments were to be withdrawn/adjusted while implementing the benefits finally recommended by the Pay Commission.

We noticed (April 2011) that the Company decided (November 2008) to implement the pay structure recommended as per Sixth Pay Commission with effect from 1 November 2008, but did not withdraw the two advance increments earlier sanctioned as per its decision in September 2006. On this being pointed out, the Company withdrew the payment of two increments with effect from 1 March 2011, however, the overpayment made from September 2006 to February 2011 was not recovered till date. As per data made available by the Company for the period from May 2009 to February 2011, the overpayment worked out to ₹ 0.80 crore. Further, for the period from September 2006 to April 2009 we worked out the amount of overpayment at ₹ 0.92 crore¹⁰. The total overpayment on this account thus worked out to ₹ 1.72 crore.

¹⁰ (Total period – 32 months *i.e* from September 2006 to April 2009; For 12 months @ ₹ 2.50 lakh per month = ₹ 30 lakh and for 20 months @ ₹ 3.10 lakh per month = ₹ 62 lakh)

We also noticed that in contravention of the Sixth Pay Commission recommendations, the Company allowed House Rent Allowance (HRA) at 20 *per cent* to 46 employees working in depots outside the urban agglomeration of Puducherry as against the admissible rate of 10 *per cent* resulting in inadmissible HRA payment amounting to ₹ 11.47 lakh during the period May 2009 to February 2011.

In all, the Company allowed inadmissible pay and allowances of ₹ 1.83 crore for the period from September 2006 to February 2011, which needs recovery.

The Company replied (May 2011 and July 2011) that action would be taken for recovery of the amount after getting approval of its Board of Directors and revision of the HRA entitlement of employees.

Chennai
The

(S. MURUGIAH)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

APPENDICES

Appendix 5.1
(Reference: Paragraph 5.1.5; Page 88)

Statement showing particulars of up-to-date paid-up capital, loans outstanding and manpower as on 31 March 2011 in respect of Government companies

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital€				Loans* outstanding at the close of 2010-11				Debt equity ratio 2010-11 (Previous year)	Manpower (No. of employees as on 31.3.2011)
				Union Territory Government	Central Government	Others	Total	Union Territory Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
Working Government Companies													
AGRICULTURE & ALLIED													
1	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Agriculture	26 March 1986	13.83	---	---	13.83	---	---	---	---	---	391
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	Civil Supplies and Consumer Affairs	27 September 1990	9.88	---	0.05	9.93	---	---	---	---	---	303
Sector-wise Total				23.71	---	0.05	23.76	---	---	---	---	---	694
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)	---	---	---	---	---	132
4.	Puducherry Adi dravidar Development Corporation Limited (PADCO)	Welfare	26 September 1986	13.18	1.68	---	14.86	---	---	---	---	---	72
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	Welfare	31 March 1993	3.82 (0.12)	---	---	3.82 (0.12)	0.32	---	---	0.32	0.08:1 (----)	1,215

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital€				Loans* outstanding at the close of 2010-11				Debt equity ratio 2010-11 (Previous year)	Manpower (No. of employees as on 31.3.2011)
				Union Territory Government	Central Government	Others	Total	Union Territory Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	Welfare	31 March 1999	3.57	---	---	3.57	---	---	15.81	15.81	4.43:1 (2.75:1)	8
Sector-wise Total				124.61	1.68	8.54	134.83 (72.18)	0.32	---	15.81	16.13	0.12:1 (0.07:1)	1,427
MANUFACTURING													
7.	Puducherry Distilleries Limited (PDL)	Industries	8 December 1971	8.45	---	---	8.45	---	---	---	---	---	118
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELECON)	Industries	7 December 1982	---	---	0.10	0.10	---	---	---	---	---	9
9.	Pondicherry Textile Corporation Limited (PONTEX)	Industries	25 November 1985	356.35	---	---	356.35	3.46	---	---	3.46	0.01:1 (0.02:1)	2,109
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	Industries	4 July 2005	30.00	---	---	30.00	---	---	---	---	---	596
Sector-wise Total				394.80	---	0.10	394.90	3.46	---	---	3.46	0.01:1 (0.02:1)	2,832
POWER													
11.	Puducherry Power Corporation Limited (PPCL)	Electricity	30 March 1993	99.78	---	---	99.78	---	---	---	---	---	127
Sector-wise Total				99.78	---	---	99.78	---	---	---	---	---	127

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital€				Loans* outstanding at the close of 2010-11				Debt equity ratio 2010-11 (Previous year)	Manpower (No. of employees as on 31.3.2011)
				Union Territory Government	Central Government	Others	Total	Union Territory Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
SERVICE													
12.	Puducherry Tourism Development Corporation Limited (PTDC)	Tourism	1 April 2005	16.24	---	---	16.24	---	---	---	---	---	260
13.	Puducherry Road Transport Corporation Limited (PRTC)	Transport	19 February 1986	34.78	---	---	34.78	---	---	---	---	---	562
Sector-wise Total				51.02	---	---	51.02	---	---	---	---	---	822
Grand Total				693.92 (72.30)	1.68	8.69	704.29 (72.30)	3.78	---	15.81	19.59	0.03:1 (0.02:1)	5,902

€ Paid-up capital includes share application money.

* Loans outstanding at the close of 2010-11 represent long term loans only.

Appendix 5.2

(Reference: Paragraph 5.1.13 and 5.1.27; Page 91 and 96)

Summarised financial results of Government companies for the latest year for which accounts were finalised

(Figures in columns 5(a) to 6 and 8 to 10 are ₹ in crore)

Sl. No.	Sector and name of the company	Period of accounts	Year in which finalised	Net Profit (+)/Loss (-)				Turnover	Impact of Accounts Comments	Paid up capital	Accumulated profit/loss (-)	Capital employed*	Return on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Working Government Companies													
	AGRICULTURE & ALLIED													
1	PASIC	2007-08	2009-10	(-)0.46	---	0.38	(-)0.84	60.97	---	10.83	1.98	16.33	(-)0.84	---
2.	PAPSCO	2008-09	2011-12	0.57	0.28	0.19	0.10	102.89	---	9.00	(-)5.70	9.84	0.38	3.86
	Sector-wise Total			0.11	0.28	0.57	(-)0.74	163.86		19.83	(-)3.72	26.17	(-)0.46	---
	FINANCING													
3.	PIPDIC	2009-10	2011-12	1.16	---	0.51	0.65	8.98	---	112.58	34.06	146.39	0.65	0.40
4.	PADCO	2007-08	2009-10	0.03	0.07	0.04	(-) 0.08	2.36	---	5.94	(-) 5.04	5.16	(-) 0.01	---
5.	PCDWHPL	2007-08	2011-12	0.03	0.01	0.02	---	13.98	---	3.36	---	7.84	0.01	0.17

Sl. No.	Sector and name of the company	Period of accounts	Year in which finalised	Net Profit (+)/Loss (-)				Turnover	Impact of Accounts Comments	Paid up capital	Accumulated profit/loss (-)	Capital employed*	Return on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
6.	PBCMDCL	2008-09	2009-10	0.17	0.11	0.06	---	1.13	---	2.95	---	15.11	0.11	0.73
Sector-wise Total				1.39	0.19	0.63	0.57	26.45		124.83	29.02	174.48	0.76	0.41
MANUFACTURING														
7.	PDL	2009-10	2010-11	4.94	---	0.30	4.64	34.07	---	8.45	28.06	36.92	4.64	12.57
8.	PELECON	2009-10	2010-11	(-)0.22	0.01	---	(-)0.23	0.36	---	0.10	(-)0.42	(-)0.02	(-)0.22	---
9.	PONTEX	2009-10	2010-11	(-)46.39	8.67	1.33	(-)56.39	25.07		343.27	(-)428.43	94.63	(-)47.72	---
10.	SBTML	2008-09	2009-10	(-)8.99	1.41	0.77	(-)11.17	10.86	---	21.21	(-)31.43	21.05	(-)9.76	---
Sector-wise Total				(-)50.66	10.09	2.40	(-)63.15	70.36		373.03	(-)432.22	152.58	(-)53.06	---
POWER														
11.	PPCL	2008-09	2010-11	22.12	---	11.03	11.09	49.28	---	133.04	68.43	209.89	11.09	5.28
Sector-wise Total				22.12	---	11.03	11.09	49.28	---	133.04	68.43	209.89	11.09	5.28
SERVICE														
12.	PTDC	2009-10	2011-12	(-)3.74	---	0.30	(-)4.04	7.61	---	13.24	(-)11.96	1.54	(-)4.04	---
13.	PRTC	2007-08	2010-11	(-)1.02	---	1.51	(-)2.53	20.79	---	33.10	(-)28.06	7.76	(-)2.53	---
Sector-wise Total				(-)4.76	---	1.81	(-)6.57	28.40	---	46.34	(-)40.02	9.30	(-)6.57	---
Grand Total				(-)31.80	10.56	16.44	(-)58.80	338.35	---	697.07	(-)378.51	572.42	(-)48.24	---

* 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 balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

Appendix 5.3

(Reference: Paragraph 5.1.8; Page 89)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2011

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl.No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
	Working Government Companies												
AGRICULTURE & ALLIED													
1.	PAPSCO	---	---	---	2.78 (G) 36.86 (S)	---	2.78 (G) 36.86 (S)	---	---	---	0.93	---	---
Sector wise Total		---	---	---	2.78 (G) 36.86 (S)	---	2.78 (G) 36.86 (S)	---	---	---	0.93	---	---

Sl.No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
FINANCE													
2.	PADCO	1.00	---	---	1.50 (G) 2.00 (S)	---	1.50 (G) 2.00 (S)	---	4.97	---	---	---	---
3.	PCDWHPL	0.12	0.32	---	23.69 (G)	---	23.69 (G)	---	---	---	---	---	---
4.	PBCMDCL	0.31	---	---	2.06 (G)	---	2.06 (G)	---	---	---	---	---	---
	Sector-wise Total	1.43	0.32	---	27.25 (G) 2.00 (S)	---	27.25 (G) 2.00 (S)	---	4.97	---	---	---	---
MANUFACTURING													
5.	PONTEX	10.00	---	---	43.25 (G)	---	43.25 (G)	---	---	---	3.08	---	3.08
6.	SBTML	1.79	---	---	7.00 (G)	---	7.00 (G)	---	---	---	---	---	---
	Sector-wise Total	11.79	---	---	50.25 (G)	---	50.25 (G)	---	---	---	3.08	---	3.08

Sl.No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE													
7.	PTDC	3.00	---	---	---	---	---	---	---	---	---	---	---
8.	PRTC	1.50	---	---	---	---	---	---	---	---	---	---	---
Sector-wise Total		4.50	---	---	---	---	---	---	---	---	---	---	---
Grand Total		17.72	0.32	---	80.28 (G) 38.86 (S)	---	80.28 (G) 38.86 (S)	---	4.97	---	4.01	---	4.01

(G) represents 'Grants'

(S) represents 'Subsidy'

Appendix 5.4
(Reference: Paragraph 5.1.22; Page 94)

Statement showing investments made by the Government of the Union Territory of Puducherry in PSUs whose accounts are in arrear
(₹ in crore)

Sl.No.	Name of the Company	Year up to 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	Loan	Grants/Subsidy	Others
Working Government companies							
AGRICULTURE & ALLIED							
1.	PASIC	2007-08	10.83	3.00 (2009-10)	---	---	---
2.	PAPSCO	2008-09	9.00	0.93 ^o (2010-11)		39.63 (2009-10) 39.64 (2010-11)	---
FINANCING							
3.	PIPDIC	2009-10	112.58	---	---	---	---
4.	PADCO	2007-08	5.94	3.92 (2008-09) 4.00 (2009-10) 1.00 (2010-11)	---	5.90 (2008-09) 5.63 (2009-10) 3.50 (2010-11)	---

^o Loan converted into equity

Sl.No.	Name of the Company	Year up to 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	Loan	Grants/Subsidy	Others
5.	PCDWHPL	2007-08	3.36	0.23 (2008-09) 0.11 (2009-10) 0.12 (2010-11)	0.95 (2008-09) --- (2009-10) 0.32 (2010-11)	23.70 (2008-09) 23.12 (2009-10) 23.69 (2010-11)	---
6.	PBCMDCL	2008-09	2.95	0.31 (2009-10) 0.31 (2010-11)	---	2.06 (2009-10) 2.06 (2010-11)	---
MANUFACTURING							
7.	PDL	2009-10	8.45	---	---	---	---
8.	PELECON	2009-10	0.10	---	---	---	---
9.	PONTEX	2009-10	343.27	13.08* (2010-11)	---	43.25 (2010-11)	---
10.	SBTML	2008-09	21.21	7.00 (2009-10) 1.79 (2010-11)	---	7.00 (2010-11)	---
POWER							
11.	PPCL	2008-09	133.04	---	---	---	---

♣ Investment made by the Government during the year ₹ 10 crore and loans converted into equity ₹ 3.08 crore.

Sl.No.	Name of the Company	Year up to 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	Loan	Grants/Subsidy	Others
	SERVICE						
12.	PTDC	2009-10	13.24	3.00 (2010-11)	---	---	---
13.	PRTC	2007-08	33.10	0.18 (2008-09) 1.50 (2010-11)	---	---	---
	Total			4.33 (2008-09) 14.42 (2009-10) 21.73 (2010-11)	0.95 (2008-09) 0.32 (2010-11)	29.60 (2008-09) 70.44 (2009-10) 119.14 (2010-11)	

Appendix 5.5

(Reference: Paragraph 5.2.3; Page 98)

Financial position of PADCO for three years ended 2008-09

(₹ in lakh)

Sl. No.	Particulars	2006-07	2007-08	2008-09
I.	Source of funds			
(a)	Share capital	345.01	491.01	491.01
(b)	Share advance	146.00	103.00	495.00
(c)	Deferred grants/grants	0.31	0.21	0.17
(d)	Borrowings	51.38	425.86	445.13
	Total (I)	542.70	1,020.08	1,431.31
II.	Application of funds			
(a)	Gross block	49.63	63.15	64.60
(b)	Less: Depreciation	25.97	17.47	22.17
(c)	Net block	23.66	45.68	42.43
(d)	Current assets, loans and advances			
(i)	Cash and bank balances	293.77	602.88	1,332.57
(ii)	Loans and advances	282.98	516.74	540.58
	TOTAL	576.75	1,119.82	1,873.15
(e)	Less: Current liabilities and provision	553.76	649.04	1,036.69
(f)	Net current assets	22.99	470.58	836.47
	Accumulated loss	496.05	503.82	552.42
	Total (II)	542.70	1,020.08	1,431.33
	Capital employed	46.65	516.26	878.90
	Net worth	5.04	90.19	433.59

Financial position of PBCMDC for three years ended 2008-09

(₹ in lakh)

Sl. No.	Particulars	2006-07	2007-08	2008-09
I.	Source of funds			
(a)	Share capital	232.65	232.65	263.65
(b)	Share advance	---	15.50	31.00
(c)	Government grants	369.16	424.88	636.49
(d)	Borrowings	341.37	439.51	579.73
	Total (I)	943.18	1,112.54	1,510.87
II.	Application of funds			
(a)	Gross block	48.65	48.93	57.40
(b)	Less: Depreciation	25.22	31.21	37.17
(c)	Net block	23.43	17.72	20.23
(d)	Current assets, loans and advances			
(i)	Cash and bank balances	235.78	138.93	282.12
(ii)	Loans and advances	693.98	967.54	1,235.81
	TOTAL	929.76	1,106.47	1,517.93
(e)	Less: Current liabilities and provision	10.01	11.65	27.29
(f)	Net current assets	919.75	1,094.82	1,490.64
	Accumulated loss	---	---	---
	Total (II)	943.18	1,112.54	1,510.87
	Capital employed	943.18	1,112.54	1,510.87
	Net worth	601.81	673.03	931.14

Appendix 5.6

(Reference: Paragraph 5.2.3; Page 98)

Working results of PADCO for three years ended 2008-09

(₹ in lakh)

Particulars	2006-07	2007-08	2008-09
Income			
Managerial assistance	99.00	99.00	196.00
Interest income	14.33	30.08	39.80
Other income	2.31	0.03	---
Special Central Assistance/Subsidy	56.68	106.92	70.48
Release from deferred Government grants	0.10	0.11	0.03
Centage	---	---	---
Total	172.42	236.14	306.31
Expenditure			
Scheme expenses	56.68	106.92	70.48
Interest on loans	12.90	7.21	13.33
Administrative expenses	91.96	97.09	141.44
Provision for bad debts	40.57	23.47	124.36
Depreciation	2.94	3.97	5.00
Total	205.05	238.66	354.61
Profit/loss	(-) 32.63	(-) 2.52	(-) 48.30
Prior period adjustments	5.17	(-) 4.81	---
Net profit	(-) 27.06	(-) 7.33	(-) 48.30

Working results of PBCMDC for three years ended 2008-09

(₹ in lakh)

Particulars	2006-07	2007-08	2008-09
Income			
Other income	1.63	16.80	54.44
Interest receipts	34.15	13.40	10.34
Funds from GIA	---	---	0.63
Funds transferred from reserves and surplus	75.60	54.28	46.14
Total	111.38	84.48	111.55
Expenditure			
Administrative expenses	100.65	77.08	105.64
Depreciation	7.51	5.99	5.96
Provision for FBT	---	0.56	0.37
Total	108.16	83.63	111.97
Profit/loss	3.22	0.85	(-)0.42
Prior period adjustments	(-)3.22	(-)0.85	0.42
Net profit	---	---	---

Appendix 5.7
(Reference: Paragraph 5.2.13; Page 106)

Scheme-wise details of the recovery performance of PADCO for three years ended 31 March 2009

Name of the scheme	2006-07			2007-08			2008-09		
	Demand	Collection	Percentage of recovery	Demand	Collection	Percentage of recovery	Demand	Collection	Percentage of recovery
NSFDC	632.37	0.45	0.07	733.40	0.06	0.01	840.05	2.27	0.27
NBCFDC	164.36	0.29	0.18	187.23	0.30	0.16	220.18	0.18	0.08
NSKFDC	16.71	11.72	70.14	18.46	12.56	68.04	32.31	10.46	32.37
PADCO LICS	2.38	0.81	34.03	12.00	2.15	17.92	71.81	2.35	3.27
PADCO MCF	1.95	0.92	47.18	62.94	5.41	8.60	52.14	4.84	9.28
PADCO Education	---	---	---	---	---	---	7.90	---	---
Total	817.77	14.19	1.73	1,014.03	20.48	2.01	1,224.39	20.10	1.64