

EXECUTIVE SUMMARY

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The Twelfth Finance Commission recommendations were not applicable to the Union Territory (UT) of Puducherry. Consequently, no Fiscal Responsibility and Budget Management (FRBM) Act was enacted by the UT Government of Puducherry. However, a road map has been prepared based on the principles of FRBM Act, which is pending for approval by the Government of India. Based on the audited accounts of the Government of Union Territory of Puducherry for the year ending March 2011, this Report provides an analytical review of the Annual Accounts of the Union Territory Government. The Report is structured in three chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as at 31 March 2011. It provides an insight into trends in committed expenditure and borrowing pattern, besides giving a brief account of Central funds transferred directly to State implementing agencies through the off-budget route.

Chapter II is based on audit of Appropriation Accounts and gives a grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter III is an inventory of the Government's compliance with various reporting requirements and financial rules. The Report also has additional data collated from several sources in support of the findings.

Audit findings

1. Finances of the Union Territory Government

Inadequate mobilization of revenue receipts: During the year 2010-11, revenue receipts grew by 13 *per cent* whereas revenue expenditure grew by 15 *per cent*. This indicates that revenue receipts are not enough to meet revenue expenditure.

Funds transferred directly to implementing agencies: During 2010-11, GOI directly transferred ₹ 60.46 crore to Union Territory implementing agencies for implementation of various schemes/programmes. As these funds were not routed through the UT budget, the Annual Finance Accounts had not captured the flow of these funds and to that extent, the receipts and expenditure of the UT as well as other fiscal variables/parameters derived from them were underestimated.

Arrears of revenue : Arrears of revenue pending for collection increased from ₹ 342.06 crore in 2009-10 to ₹ 425.03 crore in 2010-11 (24.26 *per cent*) which constituted 23.39 *per cent* of the UT's own revenue and was more than the revenue deficit for the year by ₹ 84.93 crore.

High share of revenue expenditure in total expenditure: The revenue expenditure during 2010-11 constituted 90.47 *per cent* of total expenditure and the committed expenditure constituted 46.72 *per cent* of revenue expenditure.

Inadequate priority to Development expenditure: The Capital expenditure increased marginally by ₹ two crore from ₹ 369 crore in 2009-10 to ₹ 371 crore in 2010-11 and the development capital expenditure as a percentage of aggregate expenditure decreased from nine in 2009-10 to eight in 2010-11.

Low return on investments: As of 31 March 2011, the Government had invested ₹ 910.91 crore in Government companies and co-operative institutions. The return on these investments was 0.53 *per cent*, while the Government paid interest at an average rate of 7.81 *per cent* on its borrowings during 2010-11.

High ratio of fiscal liabilities to GSDP: The outstanding fiscal liabilities increased from ₹ 3,887 crore in 2009-10 to ₹ 4,588 crore (18 *per cent*) in 2010-11 which constituted 35 *per cent* of GSDP.

Increasing deficits: The fiscal deficit increased by ₹ 134 crore during 2010-11, mainly due to increase in revenue deficit by ₹ 98 crore. The increase in fiscal deficit, along with increase in interest payments by ₹ 44 crore, led to an increase of ₹ 90 crore in the primary deficit during the year.

2. Financial management and budgetary control

During 2010-11, expenditure of ₹ 4,090.90 crore was incurred against total grants and appropriations of ₹ 4,982.97 crore, resulting in a savings of ₹ 892.07 crore. There were persistent savings of more than ₹ 10 lakh in 11 grants during 2006-11. Savings of ₹ 13.92 crore effected in ten grants were not surrendered and out of the total savings of ₹ 746.09 crore in seven grants, only ₹ 524.91 crore was surrendered. In 122 cases, the expenditure exceeded the approved provisions, resulting in excess of ₹ 402.68 crore. Even though there was no immediate requirement, ₹ 1.38 crore was drawn by the Registrar of Co-operative Societies on 30 March 2011 and kept outside the Government account in violation of the financial rules.

3. Financial Reporting

There was large scale pendency in furnishing of utilisation certificates by various grantee institutions for grants-in-aid of ₹ 401.41 crore. The pendency ranged from one to more than nine years. Thirty autonomous bodies/authorities had not submitted to Audit their annual accounts due for the period upto 2009-10 as of September 2011.

The Union Territory Government departments reported 293 cases of misappropriation, loss, defalcation, etc., involving Government money of ₹ 7.66 crore up to March 2011. Final action on these cases was pending for periods ranging from one to more than 15 years.