

## Executive Summary

Based on the audited accounts of the Government of Union Territory of Puducherry for the year ending March 2012, 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 on 31 March 2012. It provides an insight into trends in receipts and expenditure, committed expenditure, borrowing pattern and fiscal status of the Government, besides giving a brief account of Central funds transferred directly to the State implementing agencies through the off-budget route.

**Chapter II** is based on the audit of Appropriation Accounts and gives 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:** As against the revenue receipts of ₹ 2,771 crore, the revenue expenditure incurred during the year 2011-12 was ₹ 3,222 crore, which indicates that the revenue receipts were not enough to meet the revenue expenditure. The Revenue receipts, as a percentage of GSDP, hovering around 23 *per cent* during 2007-11 decreased to 19.68 *per cent* in 2011-12 due to decrease in non-tax revenue. The UT Government continue to depend heavily on Government of India, as the latter contributed to 46.52 *per cent* of the total revenue receipts of UT.

**Funds transferred directly to implementing agencies:** During 2011-12, GOI directly transferred ₹ 46.71 crore to the 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.

**High share of revenue expenditure in total expenditure:** The revenue expenditure of ₹ 3222 crore during 2011-12 constituted 89.52 *per cent* of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted 53.69 *per cent* of revenue expenditure and 62.43 *per cent* of the revenue receipts.

**Inadequate priority to Development expenditure:** The Capital expenditure increased just by ₹ four crore from ₹ 371 crore in 2010-11 to ₹ 375 crore in 2011-12 and it accounted for 10.42 *per cent* of the total expenditure. The development expenditure (expenditure on social and economic sectors) as percentage of aggregate expenditure decreased from 76 in 2010-11 to 72 in 2011-12. Bulk of the expenditure (44.97 *per cent*) was incurred in the social sector.

**Low return on investments:** As of 31 March 2012, Government had invested ₹ 948.87 crore in Government companies and co-operative institutions. The return on these investments was 0.4 *per cent*, while the Government paid interest at an average rate of 7.8 *per cent* on its borrowings during 2011-12.

**High fiscal liabilities:** The outstanding fiscal liabilities increased from ₹ 2,923 crore in 2007-08 to ₹ 4,588 crore in 2010-11 and to ₹ 5,441 crore (19 *per cent*) in 2011-12. The fiscal liabilities constituted 39 *per cent* of GSDP and 196 *per cent* of revenue receipts in 2011-12. Adverse indicator of debt stabilization, wide resource gap and increasing rate of interest burden become threat to debt sustainability of the UT Government.

**Increasing deficits:** The revenue deficit in 2011-12 was ₹ 451 crore (3.2 *per cent* of GSDP) and it increased steadily from 2007-08 ( ₹ 65 crore) to 2011-12. The increase of revenue deficit by ₹ 111 crore in 2011-12 over 2010-11 was mainly due to decrease in non tax receipts. The fiscal deficit also increased manifold from ₹ 331 crore in 2007-08 to ₹ 824 crore in 2011-12 (six *per cent* of GSDP). High levels of these deficits and ever increasing trend are indicators of unsound economical position of the UT Government.

## 2. Financial management and budgetary control

During 2011-12, expenditure of ₹ 3,785.03 crore was incurred against total grants and appropriations of ₹ 4,978.08 crore, resulting in overall savings of ₹ 1,193.05 crore (23.97 *per cent*). In 119 cases, no expenditure was incurred against the provision of ₹ 775.79 crore. There were persistent savings of more than ₹ 10 lakh in 11 grants during 2007-12. Savings of ₹ three crore occurred in three grants were not at all surrendered and out of the total anticipated savings of ₹ 889.25 crore in seven grants, ₹ 92.95 crore was not surrendered. In 55 cases, the expenditure exceeded the approved provisions, resulting in excess expenditure of ₹ 240.13 crore. Provision of funds for free supply of computers to the scheduled caste students were made without ensuring the feasibility of spending and funds meant for creation of infrastructure for the scheduled caste people were used for payment of electricity charges of PWD offices.

## 3. Financial Reporting

There was large scale pendency in furnishing of Utilisation Certificates by various grantee institutions for grants-in-aid of ₹ 490.59 crore. The pendency ranged from one to more than nine years. Twenty three autonomous

bodies/authorities had not submitted to Audit their annual accounts due for the period upto 2010-11 as of December 2012. Temporary advances aggregating to ₹ 396.09 crore were pending for adjustment by the Drawing and Disbursing Officers. The Union Territory Government departments reported 307 cases of misappropriation, loss, defalcation, etc., involving Government money of ₹ 38.95 crore upto March 2012. Final action on these cases were pending for periods ranging from one to more than 15 years.