CHAPTER I: INTRODUCTION

1.1 About this Report

This Report contains compliance audit observations of the five Union Territories without legislatures. Compliance audit refers to the examination of transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain compliance to provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities.

The Comptroller and Auditor General (C&AG) performs audits in terms of the Auditing Standards approved by him. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance and abuse, as well as on weaknesses that exist in systems of financial management and internal control. The findings of audit are expected to enable the executive to take corrective action and also to frame policies and issue directives that will lead to improved financial management of the organizations, contributing to better governance.

This Report includes audit findings based on the compliance audit of the Government Departments/Offices/Institutions under the administrative control of the UTs without legislature.

1.2 Union Territories in India

There are seven Union Territories (UTs) specified under Part-II of the First Schedule to the Constitution of India, viz., the Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman &Diu, Lakshadweep, National Capital Territory of Delhi and Puducherry. Excepting the National Capital Territory of Delhi and Puducherry, the remaining five do not have their own legislatures, councils of ministers or consolidated funds. Instead they function under the authority of Parliament and the Government of India. The demographic details are given in chart 1.2.1

Chart 1.2.1 Demographic details[1]of UTs without legislature

Name of UTs	Population		Area (in km^2)
	Male	Female	
Andaman and Nicobar Islands	2,02,313	1,77,631	8,249
Chandigarh	5,80,135	4,74,551	114
Dadra & Nagar Haveli	1,93,157	1,49,696	491
Daman & Diu	1,50,130	92,781	112
Lakshadweep	33,108	31,321	32

1.3 Administrative arrangements

Under the Government of India (Allocation of Business) Rules, 1961, the Ministry of Home Affairs (MHA) is the nodal ministry for legislative matters, finance and budget and services for the UTs. Each UT functions under an administrator appointed by the President under Article 239 of the Constitution of India. In the Andaman and Nicobar Islands, the Lt. Governor is designated as the administrator while the Governor of Punjab is the administrator of Chandigarh. In Dadra and Nagar Haveli, Daman and Diu and Lakshadweep, senior Indian Administrative Service (IAS) officers of the AGMUT cadre are appointed as administrators. 'Administrator's Advisory Councils in these UTs advise the administrators. The Home Minister's 'Advisory Committees' in these UTs address general issues relating to the social and economic development of the UTs. The Island Development Authority (IDA) under the Prime Minister facilitates the integration of high level decisions concerning the island UTs of the Andaman and Nicobar Islands and Lakshadweep.

1.4 Financial arrangements

The MHA prepares the Detailed Demand for Grants (DDG) relating to these UTs for the approval of Parliament. These DDG contain the proposals of various ministries and departments regarding the expenditure of these UTs on activities concerning these ministries and departments. Administrators of the UTs have been delegated financial powers upto a certain limit[2] by MHA for sanction of plan schemes.

1.4.1 Expenditure

The details of budget estimates, revised estimates and actual expenditure of the UTs without legislature for the last three years are as under:

[1] As per Census 2011.
[2] ₹ 50 crore where Governor or Lt Governor is the Administrator and ₹ 25 crore in the remaining UTs.

Expenditure of UTs without Legislature **(₹ in crore)**

Year	Budget Estimates			Revised Estimates			Actual Expenditure		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2012-13	4,015.20	6,688.70	**10,703.90**	3,362.76	7,057.05	**10,419.81**	3,334.70	7,046.18	**10,380.88**
2013-14	4,483.30	5,700.88	**10,184.18**	3,757.41	5,817.89	**9,575.30**	3,663.83	5,813.96	**9,477.79**
2014-15	4,737.00	5,969.31	**10,706.31**	3,930.49	6,140.76	**10,071.25**	3,864.89	6,168.71	**10,033.60**

It may be seen that while actual Plan expenditure consistently fell short of BE, actual non plan expenditure exceeded the BEs in all the years. The percentage of non-plan expenditure was 61.34 per cent to 67.88 *per cent* of the total expenditure. While 26 *per cent* of the total expenditure under Plan head was incurred on major works followed by grants in aid payments at 19 *per cent*, the major share under the non-plan expenditure was salaries at 39 *per cent*. The major constituents of expenditure under the other heads under both Plan and Non-Plan were contractual services, petrol, oil and lubricants (POL), construction works, minor works, wages etc.

1.4.2 Revenue

1.4.2.1 Trends of Revenue Receipts

Details of tax and non-tax revenues raised by the administrations of the UTs without legislature during the last three years are given below:

Table: 3.1.1

Trend of revenue receipts

(₹in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15
1.	Tax revenue	2,593.67	2,795.67	3,528.56
2.	Non-tax revenue	1,105.27	1,364.69	1,246.53
Total revenue receipts of the UT administrations		**3,698.94**	**4,160.36**	**4,775.09**

Source: figures provided by respective UTs

It would be seen from the above that the total tax revenue raised by the five UTs registered an increase of 26.22 per cent from 2013-14 to 2014-15, while the non-tax revenues declined by 8.66 *per cent*.

1.5 Planning and conduct of audit

The audit process starts with the assessment of risks based on expenditure incurred, criticality/complexity of activities, delegated financial powers, overall internal controls, concerns of the stakeholders, and previous audit findings. The frequency and extent of audit are decided on the basis of the risk assessment.

On completion of audit, Inspection Reports (IRs) containing audit findings are issued to the heads of the departments of the audited entity. Important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India, and submitted to the President of India under Article 151 of the Constitution of India.

During 2014-15, 266 units were audited under the control of the five UTs without legislature.

1.6 Responsiveness of the Government to audit

Intelligent, prompt and vigorous pursuance of objections and timely reporting of important irregularities to Government are essential in order to ensure that the Audit Reports serve their intended purpose and Government derives their full value. The responsibility for the settlement of objections devolves primarily upon the disbursing officers, heads of offices and controlling authorities. The heads of offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to audit within four weeks of receipt of the IRs. Periodical reminders are issued to the heads of departments requesting them to furnish the replies expeditiously. As of 31 March 2015, 1,863 IRs containing 6,955 paragraphs were outstanding for settlement in respect of various departments/institutions under the five UTs without legislature. Details of pending IRs and paragraphs are given in **Appendix-I.**

1.7 Follow-up on Audit Reports

The Lok Sabha Secretariat issued instructions in April 1982 to all Ministries to furnish notes to the Ministry of Finance (Department of Expenditure), indicating remedial/ corrective action taken on various paragraphs contained in the Audit Reports, soon after these were laid on the Table of the House.

In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the Public Accounts Committee (PAC) desired that submission of pending Action Taken Notes (ATNs) pertaining to Audit Reports for the years ended March 1994 and 1995 should be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended March 1996 onwards be submitted to them duly vetted by Audit, within four months from the laying of the Reports in Parliament.

While 16 ATNs pertaining to CAG Audit Report for the period 31 March 2014 were pending, no ATNs were pending for the prior period. Details are given in **Appendix-II**.

1.8 Response of the Union Territories to draft paragraphs

On the recommendation of the PAC, Ministry of Finance issued directions to all Ministries in June 1960 to send their responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs.

However, replies from the UT Administrations/Ministry of the Union Territories had been received in only 4[3]out of the 15 paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2015.

[3] Paragraphs No. 2.3, 2.10, 2.11 and 2.12.