सत्यमेव जयते

Report of the
Comptroller and Auditor General of India

for the year ended March 2018

लोकहितार्थसत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of the Union Territory of Puducherry
Report No. 2 of 2019

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Government of the Union Territory of Puducherry - Report No. 2 of 2019

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PREFACE

This Report for the year ended March 2018 has been prepared for submission to the Lieutenant Governor under Section 49 of the Government of Union Territories Act, 1963.

The Report contains significant results of the Performance Audit and Compliance Audit of the Departments of the Government of Union Territory of Puducherry under the General, Social and Economic (including Revenue) services including Departments of Commercial Taxes, Electricity, Fire Service, Fisheries and Fishermen Welfare, Labour, Local Administration, Planning and Research, Public Works and Revenue and Disaster Management.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2017-18 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2017-18 are also included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

CHAPTER I

INTRODUCTION

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INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of the Union Territory of Puducherry relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government Departments, Government Companies and Autonomous Bodies.

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 audit observations are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved management of the organisations, thus, contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipt, assets and liabilities 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.

Performance Audit examines whether the objectives of an organisation, programme or scheme were achieved economically, efficiently and effectively.

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 and observations on Compliance Audit in Government Departments and Autonomous Bodies. Chapter III contains audit observations arising out of audit of Revenue Receipts and Chapter IV contains audit observations arising out of audit of Commercial and Trading Activities.

The cases mentioned in this Report are among those, which came to notice in the course of test audit of accounts during the year 2017-18, as well as those which came to notice in earlier years but could not be included in the previous Reports.

Abbreviations used in this Report are listed in the Glossary at Page No. 145.

1.2 Profile of audited entities

There are 30 Departments in the Union Territory at the Secretariat level, headed by Development Commissioners/Secretaries, who are assisted by Directors and subordinate officers. There are 13 Government Companies and 73 Autonomous Bodies.

The entities in Puducherry falling under General and Social Sectors are audited by the Principal Accountant General (General and Social Sector Audit), Tamil Nadu and Puducherry and those falling under Revenue and Economic (both PSUs and non-PSUs) Sectors are audited by the Accountant General (Economic and Revenue Sector Audit), Tamil Nadu.

The comparative position of receipts of the Union Territory Government and expenditure incurred by the Union Territory Government during the year 2017-18 and in the preceding two years is given in **Tables 1.1** and **1.2** below:

Table 1.1 : Comparative position of receipts

(₹ in crore)

Receipts	2015-16	2016-17	2017-18
Revenue receipts	**5,088**	**5,383**	**6,003**
Tax revenue	2,260	2,401	2,806
Non-tax revenue	1,138	1,245	1,374
Grants-in-aid and contributions	1,690	1,737	1,823
Capital receipts	**Nil**	**Nil**	**Nil**
Recovery of loans and advances	2	2	1
Public Debt receipts	**741**	**820**	**1,061**
Public Account receipts	**1,015**	**845**	**717**
Total receipts	**6,846**	**7,050**	**7,782**

(Source: Finance Accounts of respective years)

Table 1.2 : Comparative position of expenditure

(₹ in crore)

Expenditure	2015-16	2016-17	2017-18
Revenue expenditure			
General services	1,469	1,639	1,874
Social services	2,199	2,129	2,235
Economic services	1,611	1,684	1,694
Grants-in-aid and contributions	6	6	4
Total	**5,285**	**5,458**	**5,807**
Capital expenditure			
Capital expenditure	439	447	394
Loans and Advances disbursed	1	Nil	Nil

Expenditure	2015-16	2016-17	2017-18
Repayment of Public Debt	169	224	570
Contingency Fund	Nil	Nil	Nil
Public Account disbursements	938	800	269
Total	**1,547**	**1,471**	**1,233**
Grand total	**6,832**	**6,929**	**7,040**

(Source: Finance Accounts of respective years)

1.3 Authority for audit

The authority for audit by the Comptroller and Auditor General of India (CAG) is derived from Article 149 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG conducts audit of expenditure and receipts of the Departments in UT of Puducherry under Sections 13[1] and 16[2] of CAG's (DPC) Act. CAG is the sole auditor in respect of three Autonomous Bodies, which are audited under Sections 15[3] and 19(2)[4] of CAG's (DPC) Act. In addition, CAG conducts audit of 70 other Autonomous Bodies, under Section 14[5] of CAG's (DPC) Act, which are substantially funded by the Government.

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act. The Statutory Auditors are required to submit a copy of the Audit Report to CAG, which among other things, include financial statements of the Company as per Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the Audit Report under the provisions of Section 143 (6) of the Company's Act, 2013.

1 Audit of (a) all expenditure from the Consolidated Fund of Union Territory having a Legislative Assembly, (b) all transactions relating to the Contingency Fund and Public Accounts and (c) all trading, manufacturing, profit and 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 Union Territory having a Legislative Assembly.

3 Audit of accounts of a body or authority to which grant or loan is given from Consolidated Fund of Union Territory for any specific purpose.

4 Audit of the accounts of Corporations (not being companies) established by or under law made by Parliament.

5 Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of Union Territory having a Legislative Assembly.

1.4 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various Departments, Corporations and Companies of Government based on expenditure incurred, revenue collected, criticality, complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit observations 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 (IRs) containing audit observations are issued to the Heads of the Departments, Corporations and Companies. The Departments, Corporations and Companies are requested to furnish replies to the audit observations within one month of receipt of IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Report of CAG of India, which is submitted to the Lieutenant Governor of Union Territory of Puducherry under Article 149 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

1.5 Significant audit observations

In the last few years, we pointed out several deficiencies in implementation of various programmes/activities through Performance Audits as well as on the quality of internal controls in selected Departments, which impacted the success of programmes and functioning of the Departments. Similarly, deficiencies noticed during Compliance Audit of the Government Departments/Organisations were also pointed out.

1.5.1 Performance Audit on Programmes/ Activities/ Departments

The present Report contains one Performance Audit. The highlights of audit observations are given in the following paragraphs:

1.5.1.1 Performance Audit on 'Adequacy on physical and human infrastructure in rendering fire and emergency services in Union Territory of Puducherry'

A Performance Audit was conducted to assess the adequacy of physical and human infrastructure in rendering fire and emergency services in Union Territory of Puducherry. There were deficiencies in infrastructure and manpower, outdated vehicles, poor response time to fire calls as detailed below:

- The Union Territory of Puducherry did not have a Fire Act as required by National Disaster Management Authority guidelines. The absence of a Fire Act prevented the Fire Service Department in enforcing compliance to fire safety norms. Various establishments such as industries, marriage halls and cinema halls continued to operate without fulfilling fire safety norms as laid down in National Building Code.

- There was no comprehensive data on high risk areas prone to fire accidents and a plan to mitigate fire occurrences. The fire stations in Union Territory urban area were 41 *per cent* lesser than the norms required as per the Standing Fire Advisory Committee recommendations. There was shortage of 52 *per cent* in the number of fire tenders and the available fire tenders had also outlived their useful life.
- Shortage of manpower was also noticed. The post of Divisional Fire Officer was vacant for more than three years. Against 14 posts of Station Officer, only six were manned. In eight fire stations, the Leading Fireman, although not competent to head a fire station, officiated as Station Officer.
- Lack of adequate fire safety measures were noticed in Government hospitals, schools and important Government buildings such as Raj Nivas, Legislative Assembly and Chief Secretariat.

(Paragraph 2.1)

1.5.2 Compliance Audit

Audit of financial transactions test-checked in various departments of the Government, their field offices and Government Companies revealed instances of loss to UT Government, wasteful/avoidable expenditure, idle investment and other irregularities. Some of the important audit observations are as follows:

- Failure of the Puducherry Electricity Department to periodically renew the bank guarantees/fixed deposits provided by a consumer resulted in loss of revenue of ₹ 54.86 lakh.

(Paragraph 2.2.1)

- Failure of the Public Works Department in keeping the contract alive for more than three years after stoppage of work without foreclosure, resulted in avoidable payment of ₹ 6.52 crore.

(Paragraph 2.3.1)

- Failure of the Project Implementation Agency to avail the excise duty exemption resulted in avoidable expenditure of ₹ 54.47 lakh.

(Paragraph 2.3.2)

- The Puducherry Building and Other Construction Workers Welfare Board did not obtain tax exemption as provided in the Income Tax Act resulting in avoidable payment of tax of ₹ 0.43 crore on the interest earned.

(Paragraph 2.3.3)

- Failure to provide necessary budget provision to make arbitration award payments without any delay, resulted in avoidable interest payment of ₹ 0.41 crore.

(Paragraph 2.3.4)

- Inconclusive decision in finalisation of beneficiaries for allotment of stalls in the 'Modern Hygienic Fish Market', constructed at a cost of ₹ 13.42 crore resulted in an idle investment for more than two years.

(Paragraph 2.4.1)

- The 'Welfare and Relief for Fishermen during Ban period, Lean Seasons and Natural Calamities' scheme, meant to provide relief to fishermen, suffered from faulty implementation. Payments were delayed much after ban period and lean season. Non-payment of funeral assistance and non-renewal of Old Age Pension were some of the lapses in the implementation of the scheme. The efficient functioning of the scheme depended on the availability of the Village Level Fishery Officers whose post was significantly vacant which impaired the functioning and execution of the scheme.

(Paragraph 2.5)

1.5.3 Revenue Receipts

Audit of Transition to GST in Puducherry indicated that there is an urgent need for verification for correctness of transitional credit claimed by the dealers as any lapse or deficiency or continued inaction on the part of the Department would result in utilisation of incorrect or excess claim of credit by the dealers, thereby having a serious impact on the revenue of the UT. The Department needs to devise a time bound action plan for finalisation of pending assessments relating to the PVAT Act, so that the assessing officers may devote their time exclusively for the successful implementation of the system of GST in the UT of Puducherry.

(Paragraph 3.10)

1.5.4 Commercial and Trading Activities

As on 31 March 2018, there were 12 working Government Companies (Public Sector Undertakings - PSUs) and one non-working Government Company in the Union Territory of Puducherry.

The working PSUs registered a turnover of ₹ 387.18 crore, as per their latest finalised accounts as of September 2018, which was equal to 1.20 *per cent* of State Gross Domestic Product for 2017-18. The working PSUs incurred loss of ₹ 39.05 crore, as per their latest finalised accounts as of September 2018. PSUs employed 4,195 employees as at the end of March 2018.

As on March 2018, the total investment in working PSUs consisted of 98.03 *per cent* towards capital and 1.97 *per cent* in long-term loans. The investment grew by 3.10 *per cent* from ₹ 714.98 crore in 2013-14 to ₹ 737.16 crore in 2017-18. As per the latest (March 2018) finalised accounts, the ratio of return on capital employed and equity stood at (-) 19.58 and (-) 39.05 respectively.

(Paragraph 4.1)

As there were arrears in finalisation of accounts in 12 working PSUs upto 2017-18, their net worth could not be assessed in Audit. As per the latest finalised accounts, out of 12 working PSUs, four PSUs earned a profit of ₹ 15.44 crore and seven PSUs incurred a loss of ₹ 54.49 crore, leading to overall loss. One company neither earned profit nor incurred any loss.

(Paragraphs 4.2 and 4.3)

Audit on Recruitment, Engagement and Deployment of personnel in Puducherry PSUs during 2013-14 to 2017-18 revealed that the PSUs had not revised Recruitment Rules in line with the directives of UT Government. The recruitments, up-gradation, modification of posts and scale of pay were made without prior approval of UT Government and prescribed procedures. Further, PSUs had not weeded out/redeployed surplus manpower, which resulted in unproductive wages. Besides, PSUs incurred irregular expenditure on account of cash gifts/allowances, overtime and project allowances. PSUs had not remitted the statutory dues of EPF and ESI within due date warranting avoidable payment of interest and penal charges. On account of shortage of working capital and paucity of funds, six PSUs did not pay salaries and terminal benefits to their employees for a period upto 68 months.

(Paragraph 4.4)

1.6 Response to Audit

One Performance Audit and 11 Audit Paragraphs were forwarded demi-officially to the Development Commissioners/Secretaries of the Departments concerned between April and November 2018 to send their responses within six weeks. Government replies were received in respect of four Audit Paragraphs. The replies, wherever received, were suitably incorporated in the Report.

A review of IRs issued upto 31 March 2018 revealed that 5,552 paragraphs relating to 1,262 IRs remained outstanding at the end of September 2018 **(Appendix 1.1)**.

1.7 Follow-up on the Audit Reports

The Public Accounts Committee (PAC) of the Union Territory Legislature of Puducherry, prescribed a time limit of three months, from the date of placement of the Audit Reports in Legislature, to the Departments for furnishing replies on the audit observations included in the Audit Reports indicating the corrective action taken or proposed to be taken by them and for submission of Action Taken Notes (ATNs) on the recommendations of PAC by the Departments. The position of pendency of paragraphs/ recommendations, for which replies and ATNs were not received is shown in **Table 1.3**.

Table 1.3 : Explanatory notes not received (as of 31 December 2018)

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Number of paragraphs in Audit Report			Number of paragraphs for which explanatory notes were not received		
		G&SSA	Revenue	Commercial	G&SSA	Revenue	Commercial
2010-11	30.07.2012	11	3	2	2	Nil	1
2011-12	29.07.2013	11	4	2	1	Nil	Nil
2012-13	23.09.2014	10	3	1	4	2	1
2013-14	06.05.2015	9	2	1	4	2	1
2014-15	08.09.2016	8	6	1	5	5	1
2015-16	15.06.2017	8	2	1	8	2	1
2016-17	18.07.2018	7	1	1	7	1	1
Total		**64**	**21**	**9**	**31**	**12**	**6**
Grand total		**94**			**49**		

From **Table 1.3**, it could be seen that out of 94 paragraphs, explanatory notes to 49 paragraphs were awaited (December 2018).

The status of PAC discussion in respect of Review/Paragraphs appeared in Audit Reports is shown in **Table 1.4**.

Table 1.4 : Reviews/Paragraphs appeared in Audit Reports *vis-à-vis* discussed (as on 31 December 2018)

Period of the Audit Report	Number of paragraphs appeared in Audit Report				Number of paragraphs discussed
	G&SSA	Revenue	Commercial	Total	
2010-11	11	3	2	16	6
2011-12	11	4	2	17	8
2012-13	10	3	1	14	Not yet discussed
2013-14	9	2	1	12	
2014-15	8	6	1	15	
2015-16	8	2	1	11	
2016-17	7	1	1	9	
Total	**64**	**21**	**9**	**94**	**14**

From **Table 1.4**, it may be seen that 80 paragraphs, appeared in the Audit Reports for the period from 2010-11 to 2016-17, were yet to be discussed by PAC. The compliance position of various Departments to PAC recommendations is shown in **Table 1.5**.

Table 1.5 : Compliance to PAC Reports

Year of the PAC Report	Total number of PAC Reports	Total number of recommendations in PAC Report			Number of recommendations where ATNs not received		
		G&SSA	Revenue	Commercial	G&SSA	Revenue	Commercial
Up to 2010-11	15	984	50	101	210	12	30
2011-12	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2012-13	1	119	14	21	48	11	15
2013-14	2	84	18	25	65	10	22
2014-15	2	76	31	36	39	17	18
2015-16	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2016-17	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total	**20**	**1,263**	**113**	**183**	**362**	**50**	**85**
Grand total		**1,559**			**497**		

As of December 2018, Government Departments did not furnish ATNs on 497 recommendations made by PAC in respect of Audit Reports pertaining to the period 1988-89 to 2008-09.

CHAPTER II

GENERAL AND SOCIAL SECTOR

CHAPTER II

This Chapter contains Performance Audit on Adequacy of physical and human infrastructure in rendering fire and emergency services in Union Territory of Puducherry and results of Compliance Audit of various Departments of the Government, their field formations and Autonomous Bodies. Instances of lapses in the management of resources and deficiencies in observance of the norms of regularity, propriety and economy were presented in the succeeding paragraphs.

PERFORMANCE AUDIT

FIRE SERVICE DEPARTMENT

2.1 Performance audit on 'Adequacy of physical and human infrastructure in rendering fire and emergency services in Union Territory of Puducherry'

Executive Summary

A Performance Audit was conducted to assess the adequacy of physical and human infrastructure in rendering fire and emergency services in Union Territory of Puducherry. We found deficiencies in infrastructure and manpower, outdated vehicles, poor response time to fire calls as detailed below:

The Union Territory of Puducherry did not have a Fire Act as required by National Disaster Management Authority guidelines. The Fire Service Department was deficient in enforcing compliance to fire safety norms in the absence of a Fire Act. Various establishments such as industries, marriage halls and cinema halls continued to operate without fulfilling fire safety norms as laid down in National Building Code.

There was no comprehensive data on high risk areas prone to fire accidents and a plan to mitigate fire occurrences. The fire stations in Union Territory urban area were 41 per cent lesser than the norms required as per the Standing Fire Advisory Committee recommendations. There was shortage of 52 per cent in the number of fire tenders and the available fire tenders had also outlived their useful life.

Shortage of manpower was also noticed. The post of Divisional Fire Officer was vacant for more than three years. Against 14 posts of Station Officer, only six were manned. In eight fire stations, the Leading Fireman although not competent to head a fire station, officiated as Station Officer.

Lack of adequate fire safety measures were noticed in Government hospitals, schools and important Government buildings such as Raj Nivas, Legislative Assembly and Chief Secretariat.

2.1.1 Introduction

Fire service was one of the most important emergency response services in the country, which included effective fire prevention, creating awareness about fire safety and enforcing inbuilt fire protection arrangements for various types of buildings. Government of India (GOI) constituted Standing Fire Advisory Committee (SFAC) in 1955, to examine the technical problems relating to Fire Services and to make recommendations including standardisation of fire fighting equipment. Further, to improve fire fighting capabilities in the country, the National Disaster Management Authority (NDMA) framed guidelines in April 2012 to direct and provide guidance on the issues relating to setting up of fire stations, their scaling, type of equipment and training of manpower.

There was no Fire Act in Union Territory of Puducherry and the recommendations of SFAC and NDMA guidelines were followed. In UT, there were 13 fire stations[1] and each station was provided with fire engines, appliances and lifesaving equipment[2]. The year-wise number of fire accidents with property involved, damaged and saved during the period from 2013-14 to 2017-18 in UT was given in **Table 2.1**.

Table 2.1: Details of fire accidents in UT

Year	Number of fire calls	Property (₹ in crore)		
		Involved	Damaged	Saved
2013-14	1,196	127.12	22.77	104.35
2014-15	1,088	20.41	5.80	14.61
2015-16	930	9.30	1.78	7.52
2016-17	1,185	42.13	17.29	24.84
2017-18	926	22.49	5.65	16.84

(Source : Details furnished by Fire Service Department)

2.1.2 Organisational set up

At the Government level, the Secretary to Government (Fire Service) is the administrative head exercising overall control of the Fire Service Department (FSD). The Secretary is assisted by the Divisional Fire Officer (DFO) who functions as the technical head of the Department and is assisted by two

1 Nine in Puducherry, two in Karaikal and one each in Mahe and Yanam regions.

2 Fire Engine, Emergency Tender, Rescue Tender, Foam Tender, Feeder Unit, Small Fire Engine, Chain Saw operated by power, Portable Chain Saw, Circular Saw, Insect Protection Suits, Life Buoy & Life Jackets, Aluminium Suits, Inflatable Lighting Tower, Breathing Apparatus Sets etc.

Assistant Divisional Fire Officers. The fire stations are headed by Station Officers.

2.1.3 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- The fire services were delivered with prescribed mandate;
- Funds required for fire prevention and fire services were provided adequately and on time;
- Infrastructure both physical and human was available for rendering fire and emergency services; and
- Inspections and monitoring ensured that fire services were provided within the response time.

2.1.4 Audit criteria

Audit findings were benchmarked against:

- Compendium of Recommendations of "The Standing Fire Advisory Committee/Council (SFAC)".
- National Disaster Management Authority Guidelines, 2012.
- National Building Code of India - Fire and Life safety.
- Government orders issued from time to time.

2.1.5 Audit scope and methodology

The Performance Audit was conducted during March-September 2018 covering the period from 2013-14 to 2017-18. Audit scrutinised the records at Secretariat, Divisional Fire Office, Additional Divisional Fire Offices and Fire Stations. Records in Puducherry Planning Authority, Departments of Industries, Home, Education and Health were also scrutinised with reference to fire safety. Joint physical verifications[3] were conducted in Government buildings and private commercial establishments such as marriage halls, factories and cinema halls, to ascertain the availability of fire prevention/safety equipment. Out of 13 stations, eight fire stations[4] were selected through stratified random sampling for detailed scrutiny. Entry Conference was held on 6 March 2018 with the Secretary to Government wherein the audit objectives and scope of audit were discussed. Exit Conference was held on 26 October 2018, wherein the audit findings were discussed and replies of the Secretary to Government (Fire Service) was included suitably, wherever necessary.

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[3] Audit party headed by the Senior Audit Officer along with officials of FSD.

[4] Puducherry, Bahour, Sedarapet, Thirubuvanai, Karaikal, Surakudy, Mahe and Yanam.

2.1.6 Preparedness in fire prevention

2.1.6.1 Non-enactment of Fire Force Act and Rules

Government of India recommended a Uniform Fire Service Legislation and circulated (October 1958) a draft bill to all State Governments/UT with a direction to enact Fire Force Act/Rules. The draft Act circulated (Appendix 5-A of SFAC) provided powers to:

- remove any person who by his presence interferes with or impedes the operation for extinguishing the fire or for saving life or property;
- close any street or passage in or near which a fire is burning and break into or through or pull down, any premises for the passage of hose or appliances;
- require the authority-in-charge of water supply in the area to regulate the water mains so as to provide water at a specified pressure at the place where the fire has broken out; and
- exercise the same powers for dispersing an assembly of persons likely to obstruct the fire fighting operations as if he were an officer-in-charge of police station and as such, if such an assembly were an unlawful assembly and shall be entitled to the same immunities and protection as such an officer, in respect of the exercise of such powers.

The NDMA directed (April 2012) that every state, which did not have a Fire Act should immediately enact suitable Fire Act, within a year, based on the draft bill circulated by GOI so that fire vulnerabilities were dealt with and loss of life and property was prevented. Paragraph 3.2.2 of NDMA guidelines stipulated that the Fire Act should provide for mandatory clearance from the FSD for all high rise buildings, residential clusters, hospitals, commercial establishments regarding fire safety norms. It should also provide for legal and penal powers to take action against fire safety defaulters.

Regarding enactment of Fire Act, Audit observed that FSD submitted the draft Puducherry Fire Prevention and Fire Safety Bill, 2014 only in February 2014, after a delay of two years despite NDMA's direction in April 2012. The bill was not enacted thereafter as the Law Department required clarifications, Statement of Objects and Reasons and financial implications, which was corresponded protractedly. The Law Department returned (September 2016) the draft bill as the bill was to be revised and the rules could be framed only after enactment of the bill into an Act.

However, details of corrections suggested in the draft bill by the Law Department were not on record and FSD did not take further action for enactment of the Act.

In the absence of a Fire Act for UT, there was no legal framework enabling the FSD to take control of the area of fire accident to prevent or limit the damage to life and property. Thus, in the event of a fire, the FSD personnel of Puducherry are handicapped to exercise powers as given in the Fire Acts of neighbouring States[5] to control crowd, access water sources, remove obstructions and people. Furthermore, FSD could not take any action against fire safety defaulters in various commercial, industrial and Government establishments like schools, hospitals, etc., as required by NDMA guidelines.

When pointed out, the Secretary to Government (FSD) accepted (January 2019) the audit contention and assured that necessary action would be initiated for enactment of the Act in consultation with the core Departments.

2.1.6.2 Non-availability of comprehensive data on fire risk factors in Union Territory

Paragraphs 3.3 and 5.2 of NDMA guidelines, stipulated that every state had to prepare a complete plan based on the comprehensive data, which included population, land use, type of buildings, accessibility, health care system, industrial locations, etc., to work out the total requirement of manpower and equipment for the entire state. After assessing the vulnerability of the area and all hazardous industries that exist therein, the number of fire stations and vehicles/equipment required should be worked out on the basis of the norms laid down by SFAC.

Audit called for the comprehensive data, the fire hazard response and mitigation plan of FSD to ascertain the preparedness of FSD to handle fire operations for scrutiny. The FSD replied (June 2018) that no comprehensive data on high rise buildings, hazardous industries and high risk area was available.

The absence of any plan to combat any emergent fire occurrences and a comprehensive data about high risk areas vulnerable to fire accidents indicated that the FSD was not prepared to prevent and handle any emergency that may occur. Thus, in the absence of a Fire Act for UT, FSD did not also follow the criteria aimed in NDMA guidelines.

When pointed out, the Secretary to Government (FSD) stated (January 2019) that the issue was taken note of and a comprehensive data would be prepared by FSD.

2.1.6.3 Failure to conduct programme on community preparedness

Paragraph 5.2 of NDMA guidelines provided that the role of Government departments, key stakeholders in the community and hazard mitigation teams should be identified. There should be a plan for public participation, training, preventive actions at large colonies and high rise buildings. It was further laid down that surprise mock exercises should be conducted for fire emergencies to help in evaluation and monitoring of the plan.

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[5] Andhra Pradesh, Kerala and Tamil Nadu.

Audit, however, noticed that FSD neither conducted any such programmes nor identified any hazard mitigation teams and provided training. The absence of these activities indicated lack of importance given by FSD to educate the public about fire prevention. As such, FSD had failed to prepare the public to handle any emergency and to mitigate the risk, though on an average 1,065 fire accidents occurred every year, during 2013-18.

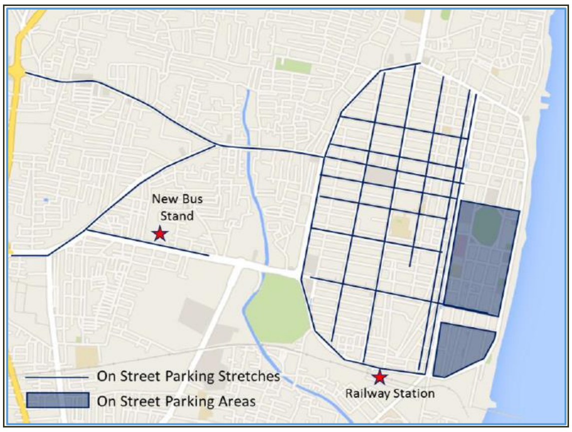
2.1.6.4 Non-adherence of response time

As per SFAC recommendation (March 1978), a test run of fire appliances should be conducted during peak hours to determine the approximate locations of fire stations from where the area allotted to them can be covered[6]. It was, however, noticed that peak hour checks were conducted only while attending to the fire calls. Thus, no separate exercise was conducted to assess the response time needed from fire stations to attend any fire call within their jurisdiction.

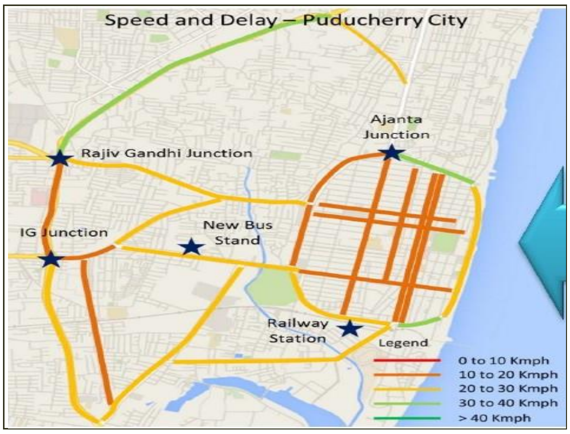
During the period 2013-18, 3,154 fire accidents were reported in the sampled eight fire stations. Scrutiny of the fire reports revealed that the response time was reported as two minutes uniformly for covering every kilometer. Audit, however, could not verify the correctness of the data recorded in the fire report as the Message Book intended for recording the time of fire call, turn out time, etc. was not maintained. This is a serious lapse on the part of the fire stations as no check could then be exercised to verify and gauge the response time of the fire stations in any emergency.

Audit further scrutinised the comprehensive mobility plan for UT, prepared by Transport Department during 2015-16 to ascertain the availability of carriage ways and mobility of vehicles in Puducherry. The scrutiny revealed that divided carriage way was available only in eight *per cent* of the roads and 10 *per cent* of roads had footpaths. An average of 67,000 passenger car units crossed the city roads per day. No parking space was available and only street parking was resorted to in the city (**Picture 1**) leading to congestion and reduced speed of mobility of vehicles **(Picture 2)**, which ranged from 0-10 km/hr in core areas.

6 Within five minutes in urban areas and 20 minutes in rural areas.



Picture 1 : On street parking in city roads



Picture 2 : Speed in city roads

In view of the facts above, it was evident that the reported response time of two minutes per kilometer of fire stations was unrealistic. On this being pointed out, the Secretary to Government (FSD) replied (January 2019) that action was initiated to open four more fire stations to reduce the response time.

2.1.6.5 Shortfall in fire stations

The SFAC recommended (March 1978) that to achieve a response time of not more than five minutes for urban areas and 20 minutes in rural areas, there should be one fire station for every 10 sq.km. radius in urban areas and one for every 50 sq.km. radius in rural areas. The UT comprises of Puducherry, Karaikal, Yanam and Mahe, which were geographically separated. The region-wise requirement and availability of fire stations was given in **Table 2.2**.

Table 2.2: Requirement and availability of fire stations in UT

Region	Required	Available	Shortfall
Puducherry	12	9	3
Karaikal	6	2	4
Yanam	3	1	2
Mahe	1	1	0
Total	**22**	**13**	**9**

(Source : Details furnished by FSD)

For UT as a whole, there were 13 fire stations (22 required), out of which, nine (12 required) were located in Puducherry and in Karaikal, as against the requirement of six fire stations there were only two. Yanam region located separately needed three fire stations, but there was only one fire station and only in Mahe, there was one fire station as per requirement.

The shortfall in the number of fire stations available as against the requirement was around 41 *per cent* and the shortfall was also pointed out by GOI (December 2011).

Though GOI had suggested opening of four new fire stations in urban area, proposals were included in annual action plans (2014-18) and in the Budget speech for the years 2014-16, audit noticed that no follow-up action was taken by FSD till date. The shortfall in fire stations would impact the quickness of response.

When pointed out, the Secretary to Government (FSD), replied (January 2019) that the construction would be started immediately after getting funds from the Government. This reply is not accepted in Audit, as proposals for opening new fire stations were pending for long time, which indicated that UT Government did not provide necessary budget allocation towards capital works during 2014-18. The fact of non-allocation of funds for capital works is discussed in paragraph 2.1.7.

2.1.6.6 Inadequate fire engines

SFAC recommended (March 1958) that each fire station should be equipped with one pumping unit[7] (fire engine), which can house six fire service personnel[8]. One fire engine has to be stationed in a fire station which caters to a population of 50,000 and was to be increased for every 50,000 population. In respect of areas of high fire risk, the types of fire fighting appliances should be determined by actual survey of the area to be protected. In UT, there were 18 fire engines/feeder tenders[9] stationed in fire stations. The maximum life span of a fire fighting vehicle (water/feeder tender) was 5,000 hours of operation or 10 years whichever is earlier. An analysis of fire engines available in all the 13 fire stations revealed the following:

- All the 18 fire engines/feeder tenders available in UT were more than 10 years old and were in use for a period ranging from 12 to 26 years. They also had leakage problems, poor tyres and required major repairs (**Pictures 3** and **4**). Moreover, no new fire engines were also procured during 2013-18.
- In Karaikal, Mahe and Yanam regions, the fire stations were provided with eight water/feeder tenders which was commensurate to the population therein. However, they were also old and required repairs.

7 A self-propelled motor fire engine.

8 Leading Fireman, Fireman driver and four firemen.

9 A supporting water tanker used as a backup for fire engines which could carry only two crew members and does not have space for other fire fighting equipment like fire engine.

Picture 3 : Intense water leakage, Karaikal fire engine

Picture 4 : Poor tyre condition, Bahour fire engine

- In Puducherry region, nine fire stations which have to cater to a population of 9.50 lakh were provided with nine water/feeder tenders only against the requirement of 19 (52 *per cent* shortfall). Of these nine fire stations, five[10] were provided with only one feeder tender each, which could not house the full crew of six members and equipment like regular fire engine.
- Each fire engine has to be stowed with 90 numbers of rubber lined delivery hoses of 15 metres length and 90 numbers of unlined flax canvas hoses of 30 metres length as per IS 948-1983. Audit observed that all the fire engines attached to four test checked sample fire stations did not have the stipulated (90) numbers of rubber lined delivery hoses, but had only three to 20 delivery hoses. It was also noticed that six fire tenders did not have unlined flax canvas hoses and the water hoses were also in poor condition as shown in **Pictures 5** and **6**.

Pictures 5 and 6 : Worn out water hoses

The shortfall in fire fighting equipment and also the poor condition of the existing fire fighting equipment would handicap FSD in combating any major fire disaster, which might happen in future. When pointed out, the Secretary to Government (FSD), during Exit Conference, accepted (October 2018) and

10 Villianur, Madukarai, Thirubhuvanam, Thirukanur and Kalapet.

stated that a departmental meeting would be conducted and action would be taken based on the availability of funds.

2.1.6.7 Lack of sufficient foam tender

Foam tender is used to suppress fire using foam, where the cause of fire is liquid fuels, by preventing contact of the fuel with oxygen resulting in suppression of the combustion, especially in petrol bunks, oil and chemical storage godowns. GOI recommended (December 2011) that fire stations, which cater to industrial areas should have one foam tender.

In UT, there were seven industrial estates, serviced by D Nagar, Bahour, Karaikal, Sederapet and Thirubhuvanai fire stations. Audit observed that foam tenders were not available in all the above fire stations, though 2,172 fire accidents were reported during 2013-18. In addition, there were 156 petrol bunks and 113 highly hazardous factories in UT. However, only a single foam tender procured during the year 2006 was available at Puducherry fire station, which caters to all the industrial area in the event of any fire accident. Furthermore, a proposal to procure five foam tenders was also not followed up as discussed in paragraph 2.1.7.1. Thus, the inadequacy in foam tender would drastically affect the services by FSD to control fuel/chemical related fire.

When pointed out, the Secretary to Government (FSD) replied (January 2019) that action was initiated for procurement of foam tenders.

2.1.6.8 Inadequate communication facilities

SFAC recommended (December 1975) that a control room, with radio communication facilities, connected to all the fire stations was necessary for effective fire control operations, to enable the DFO to utilise the resources of any or all fire stations, as may be necessary. Further, GOI recommended (December 2011) provision of Static Wireless Set in each fire Station, one Very High Frequency (VHF) set and one walkie-talkie in each fire vehicle and suggested to procure 10 static wireless sets, 54 VHFs and 31 walkie-talkies at a cost of ₹ 15.60 lakh.

Audit observed that there was no separate control room and only the respective fire stations acted as control rooms. Further, the essential communication devices were not procured even though GOI had suggested to procure the same. As such, only one Bharat Sanchar Nigam Limited (BSNL) line was available at each station. Further, Audit found that in case of fire, the public could report the incident to a fire station using the emergency number 101 only from BSNL phone and was not accessible from any other phone service providers. Thus, the absence of a proper control room in FSD and lack of essential communication devices would seriously impede DFO in mobilising resources from other fire stations in the event of a major fire, when it would be essential to respond in shortest possible time.

When pointed out, the Secretary to Government (FSD), during Exit Conference, accepted (October 2018) and stated that action would be taken for modernising the communication system.

2.1.6.9 Fire stations functioning in unsafe buildings

Every fire station should be housed in proper building with provisions for appliances room[11], office, watch room, store room, rest room, drill tower, petrol store etc. The functioning of fire stations was physically inspected, which revealed the following:

- Puducherry fire station was functioning in a dilapidated godown. The roof had cracks and holes leading to seepage of water in the office, rest room and shed, where the vehicles and fire fighting equipment were halted (**Picture 7**).

Picture 7 : Puducherry fire station with damaged roof

- Bahour fire station was functioning in a shed with thatched roof. It was also noticed that the work of construction of a new fire station at Bahour was progressing very slowly and the fire station continued to function in thatched shed itself.
- Kalapet fire station was functioning in a community hall in Oulgaret Municipality, without proper space for appliances room and fire engines were parked in open lawns as there was no place to park them safely.

2.1.6.10 Inadequate staff quarters

SFAC recommended (August 1959) that rent-free accommodation should be provided for all members in fire station premises to ensure their availability at all times. It was noticed that out of 13 fire stations:

- five fire stations[12] did not have staff quarters;

[11] Appliances means all fire service vehicles.

[12] Villianur, Puducherry, Sederapet, Kalapet and Thirubhuvanai.

- In seven fire stations, there were 134 staff quarters, of which 60 staff quarters were in poor condition and were not occupied for a period ranging from six months to 14 years; and
- In Karaikal fire station, all the 29 staff quarters were declared as unsafe for occupancy.

Audit observed that work was taken up (December 2017) to renovate 12 staff quarters at Bahour and Thirukannur fire stations and completed (February/March 2018). However, no action was taken to renovate the 77 dwelling units, which were in dilapidated condition and to construct new staff quarters at five fire stations. As such, against the sanctioned strength of 311 posts of DFO, Assistant Divisional Fire Officers (ADFOs), Station Officer and Firemen, staff quarters were available for only 74 personnel[13]. Thus, nearly 74 *per cent* of fire staff who were required to be available at all times were living away from the fire station campus, defeating the objective of quickly mobilising personnel in the event of fire incident. When pointed out, the Secretary to Government (FSD) replied (January 2019) that action would be taken for renovation/construction of staff quarters based on availability of funds.

2.1.7 Finance

The Budget allocation and actual expenditure of Puducherry Fire Service Department for the period 2013-18 is given in **Table 2.3.**

Table 2.3: Budget allocation and expenditure during 2013-18

(₹ in crore)

Year	Budget allocation[14]	Expenditure	Savings
2013-14	9.58	9.27	0.31
2014-15	10.21	9.96	0.25
2015-16	10.66	10.20	0.46
2016-17	11.96	11.53	0.43
2017-18	12.28	12.24	0.04
Total	**54.69**	**53.20**	**1.49**

(Source : Appropriation Accounts of respective years)

An analysis of the components of expenditure of ₹ 53.20 crore during 2013-18 revealed that ₹ 52.77 crore was on salaries and wages, office expenses, fuel expenses, etc. (99 *per cent*) and ₹ 0.43 crore (one *per cent*) was on motor vehicles, machinery and equipment. Thus, it is construed that the entire allocation was towards revenue expenditure and no fund allocation was made towards capital work for construction of new fire stations and no major fire

[13] 163 available housing units - 89 housing units in dilapidated condition.

[14] Only for Revenue expenditure and no allocation for Capital expenditure.

equipment was also procured during 2013-18, out of UT funds. The shortage in major fire fighting equipment are discussed in preceding paragraphs 2.1.6.5 to 2.1.6.9.

Apart from this, during 2013-18, FSD received a GOI grant of ₹ two crore for modernisation of fire service and there was also an allocation of ₹ 11.17 crore under Coastal Disaster Risk Reduction Programme (CDRRP) for FSD for procurement of fire fighting equipment. A scrutiny of the utilisation of funds revealed the following:

2.1.7.1 Failure to utilise the Government of India Grant

The GOI, to modernise fire and emergency services, provided (July 2015) ₹ two crore to procure mini rescue tender, hydraulic platform, breathing apparatus, diving suits, wireless communication equipment etc., with a direction to utilise the amount as per UT's own requirement. Since majority of the equipment permitted by GOI were already procured under CDRRP, FSD requested GOI's concurrence, only in November 2017, to purchase five foam tenders, as foam tender was not one among the permitted equipment under GOI assistance. As no reply was received from GOI, FSD later submitted (November 2017) a proposal to UT Government for procurement of four mini rescue tenders, for which administrative sanction was awaited (September 2018).

From the above, Audit construed that FSD should have either pursued the purchase of five foam tenders, as only a single foam tender was available in UT or could have utilised the grant to procure communication equipment for setting up of a modernised control room, which was one of the permitted component. FSD, however, failed to make use of the grant for either purpose for three years and the Finance Department also did not monitor the utilisation of GOI grant.

When pointed out, the Secretary to Government (FSD) replied (January 2019) that action was initiated for procurement through tender process.

2.1.7.2 Purchase of equipment without accessories

(i) Aerial ladder without requisite feeder tender

The FSD procured (September 2015) a skylift Aerial Ladder Platform, under CDRRP at a cost of ₹ 2.97 crore, which could extend upto 32 meters, for fire fighting and rescuing occupants in high rise buildings. The skylift vehicle does not carry any water tank for fire fighting and required a water browser (feeder tender) of 14,000 litres to maintain pressure at maximum height for fire fighting. FSD stationed the skylift at D Nagar Fire Station, which had a fire engine with tank capacity of 5,000 litres and did not have a feeder tender for 14,000 litres for utilisation of skylift.

The skylift was not operated since January 2018, as the requisite number of posts[15] (6) were not created and the staff trained to operate were also transferred to other fire station. Thus, in the event of a fire necessitating the use of the skylift, the utilisation of the same will be impeded by the absence of a feeder tender and requirement to wait until the trained staff arrived from the other fire stations. When pointed out, the Secretary to Government (FSD) replied (January 2019) that procurement of feeder tender would be done after getting fund from the Government.

(ii) Self-Contained Under Water Breathing Apparatus sets without vital accessories

The FSD, for carrying out under water diving jobs including rescue and recovery, procured five Self-Contained Under Water Breathing Apparatus (SCUBA) sets at a cost of ₹ 47.37 lakh with two year's warranty (August 2015) under CDRRP. Scrutiny of the records revealed that FSD while forwarding the required technical specifications to the Project Implementation Agency (PIA) omitted to include (a) Spare Mouthpiece with half mask (b) Buoyance Compensating Device and (c) SCUBA cylinder filling adopter (tool kit), which were important to use the SCUBA sets. The FSD, informed (March 2016) PIA that the vital accessories of SCUBA sets were not procured, which were inevitable to utilise SCUBA sets in case of emergency/exigencies.

When pointed out, FSD replied that (August 2018) omission of technical specification while forwarding the technical details to PIA was due to some typographical error and action would be taken to procure those vital accessories. It was further stated (October 2018) that the omitted items would be procured through PIA. However, the fact remained that the SCUBA sets, were not utilised for over two years since their procurement. Besides, the warranty period expired in August 2017 itself.

Thus, failure of FSD to get the necessary accessories resulted in the skylift and SCUBA purchased at the cost of ₹ 3.44 crore, not being utilised for the purpose. Further, FSD would be not in a position to conduct any fire fighting operation in high rise buildings or to conduct underwater diving jobs including rescue and recovery, without such important accessories.

2.1.8 Management of manpower and capacity building

In UT, DFO was the Head of Department assisted by two ADFOs. The DFO was responsible for the administrative and operational efficiency of the fire stations. A Station Officer was in immediate command of a fire station and was responsible for the efficient working and proper maintenance of

[15] Sub-Officer, Leading Fireman, Driver and three Firemen.

appliances. The Leading Fireman shall be the leader of the fire crew, of which Fireman Driver and Fireman were members.

The UT had 13 fire stations headed by Station Officers. In the event of any emergency call received, a fire engine had to be taken to the site with a crew of six members comprising of one leading fireman, one fireman driver and four firemen for effective fire rescue operations, supervised by a Station Officer.

2.1.8.1 Shortage of manpower

The details of posts sanctioned, filled in and vacant were given in **Table 2.4**:

Table 2.4: Manpower position

Name of the post	Sanctioned	Men in position	Vacancy	Percentage of vacancy
Office of DFO				
Divisional Fire Officer	1	0	1	100
Assistant Divisional Fire Officer	2	1	1	50
Fireman Driver/Fireman	4	2	2	50
Puducherry Region				
Station Officer	10	6	4	40
Leading Fireman	27	17	10	37
Fireman Driver/Fireman	184	146	38	21
Karaikal Region				
Station Officer	2	0	2	100
Leading Fireman	6	6	0	0
Fireman Driver/Fireman	39	27	12	31
Mahe Region				
Station Officer	1	0	1	100
Leading Fireman	2	2	0	0
Fireman Driver/Fireman	15	11	4	27
Yanam Region				
Station Officer	1	0	1	100
Leading Fireman	2	2	0	0
Fireman Driver/Fireman	15	11	4	27
Grand Total	**311**	**231**	**80**	

(Source : Details furnished by FSD)

An analysis of the staff available as against the sanctioned strength revealed that the post of DFO, responsible for operational and administrative duties, was vacant since November 2015 and the fire force was functioning without

Head of office for more than three years. As such, all the 13 fire stations, spread over four regions and geographically separated, were supervised by only one ADFO and another post was vacant since March 2013.

There was acute shortage of 40 to 100 *per cent* in the post of Station Officer in all the four regions, who was responsible to supervise the fire fighting operations. The period of vacancy ranged from ten months to four years. Further, the post of Sub-Officer, who has to officiate in the absence of Station Officer was not sanctioned. Due to this, eight[16] of the 13 fire stations were handled by Leading Fireman, with no supervisory official to monitor and co-ordinate the staff during fire operations.

When pointed out, FSD stated that proposals for promotion of four Leading Fireman to Station Officers and creation of three ADFOs post were pending with Government since February 2018 and September 2018 respectively.

A test check of 453 fire reports of the sampled four fire stations[17] revealed that in 236 cases (52.09 *per cent*) no supervisory officer *viz.* Station Officer accompanied the crew, while in 211 cases (46.57 *per cent*) only two Firemen instead of four Firemen were deployed. Overall there was shortage of crew in 348 cases (76.82 *per cent*) mainly due to non-filling of vacancies.

It was evident from the above that the shortage of manpower would badly affect the fire and rescue operations, which was not given due importance. The failure to provide adequate manpower for essential services may lead to undesirable consequences, in case of any emergency. When pointed out, the Secretary to Government (FSD) replied (January 2019) that UT Government was in the process of recruiting Station Officers and Fireman by direct recruitment.

2.1.8.2 Non-establishment of training centre

NDMA guidelines stipulated that a training centre was necessary for all new entrants and organising in-service / promotional courses. Besides, all Station Officers should undergo training for six months conducted at the National Fire Service College, Nagpur. The training centre should be provided with adequate infrastructure and facilities such as classrooms for 30 to 40 participants, training equipment, facilities for outdoor practical training and a fully equipped 70 to 100 seating auditorium. Scrutiny of records of the training centre functioning at D Nagar revealed the following:

- The training centre was operated in a vehicle shed (**Picture 8**) and there were no facilities as stipulated in NDMA guidelines. It was also noticed that though a draft plan was proposed

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16 Bahour, Madukarai, Thirubhuvanai, Sedarapet, Karaikal, Surakudy, Mahe and Yanam.

17 Surakudy, Bahour, Sedarapet and Yanam.

during 2015-16 to establish a proper training centre for conduct of training, the same was not established and training was conducted in the vehicle shed only.

Picture 8 : Vehicle shed being used as a training centre

Picture 9 : Damaged tower without ladder

- The tower commissioned in the D Nagar Fire Station for training of ladder climbing was in damaged condition without a ladder (**Picture 9**).
- Eight stations were being handled by Leading Fireman without any requisite training for discharging the duties of Station Officer, due to vacancy in the post of Station Officers and absence of the post of Sub-Officers as discussed in preceding paragraphs.

Thus, it was observed that in the absence of training centre, only the basic training was given at the time of recruitment. Specialised training courses to deal with hazardous material, chemical disaster, etc., were not conducted for Firemen and in the event of any disaster, the fire personnel would not be in a position to handle it, without requisite training.

When pointed out, the Secretary to Government (FSD) replied (January 2019) that action would be initiated to open permanent training centre to conduct refresher courses to the personnel.

2.1.9 Inspections and Monitoring

National Building Code (NBC) provided installation of modern fire fighting devices such as smoke detectors, water sprinklers, dedicated water storage for fire fighting, installation of hose reels and setback on all the sides of the building for free movement of fire engine. Further, SFAC stipulated that local fire authorities was to be consulted before issue of No Objection Certificate (NOC) for buildings to ensure conformity with relevant fire safety measures such as provision of fire extinguishers, fire exit, reel hose, hydrants and fire alarms.

2.1.9.1 Failure to enforce National Building Code

In UT, FSD issued NOC in two stages for special buildings[18], *viz.*, initial NOC after site inspection and scrutiny of plan, following which building permits were issued by planning authorities. On completion of construction, final NOC was to be issued by FSD, after inspecting the building, after which occupancy certificate would be issued by planning authorities. In UT, the DFO was the designated officer for issuing NOCs. During 2013-18, 1,701 building permits were issued by the planning authorities. A test check of 261 special building permits issued revealed that:

- Final NOCs were issued by FSD only in Mahe region (20 cases);
- In respect of 228 cases in Puducherry and Yanam regions, final NOCs were not issued as the owners did not apply for occupancy certificate; and
- The details of occupancy certificates issued in respect of 13 cases pertaining to Karaikal region were not furnished to Audit.

A test check of 63 building permits with municipal records was conducted to verify whether any building was occupied without occupancy certificate and assessed for property tax or issued trade license. The exercise revealed that 22 buildings were assessed for property tax or issued trade licences for carrying out business without obtaining occupancy certificate. The remaining 41 buildings were under construction or not taken up. This indicated that those 22 buildings were functioning without NOC from FSD to ensure that they have fulfilled the fire safety norm.

Thus, failure of the planning authorities in not insisting on occupancy certificates and FSD to follow up the building permits issued had resulted in the owners occupying those buildings without fulfilling the fire safety standards. Further, it was noticed that the NOCs were issued by ADFO in Puducherry region and by the Leading Fireman in Karaikal, Mahe and Yanam regions, who were not competent to issue NOCs, as DFO was the only officer empowered to issue NOCs.

2.1.9.2 Issue of trade licence without adhering fire safety norms

According to Section 355 of the Puducherry Municipality Act, 1973, no person can use any premise in municipal limit for any purpose mentioned in Schedule III without the license from the Commissioner and except in accordance with the conditions specified. Further, Section 321 of Puducherry Municipalities Act stipulated that precautions against fire to be adhered. In pursuance to this, the UT Government issued (February 1966/February 2004) instructions that the Commissioners of all Municipalities/Commune Panchayats should consult the Fire Officers for issue of NOC before

[18] Residential buildings with more than two floors or six dwelling units and commercial buildings exceeding 300 sq.m.

issue/renewal of trade licences for the places of public gatherings and trades involving risk from fire *viz*. factories, mills, storage godowns of cloth, furniture, liquors, etc., The local bodies, however, while issuing trade licences did not insist for NOC, but absolved themselves by directing the licensees to obtain NOC. The licensees, however, did not obtain NOC from FSD and conducted their business without following any fire safety norms.

A Joint physical verification of seven commercial[19] and five marriage halls[20] with seating capacity ranging from 400 to 1,000 revealed the absence of fire exits, fire extinguishers, hose reels, smoke detectors, fire alarm, setback for free movement of fire engines on all the four sides of the building and emergency exits blocked with goods and materials. This indicated that fire safety norms and precautions against fire were not adhered to, endangering the life of the public flocking these establishments.

When pointed out, the Commissioner, Karaikal Municipality (June 2018) accepted that trade licences were being issued without insisting for NOC from FSD and necessary action would be taken in that regard. No reply was received from Puducherry, Mahe and Yanam Municipal authorities.

2.1.9.3 Clearance for industries without NOC from fire services

As per para 14.4.1 of the National Building Code, after completion of the building and obtaining the occupancy certificate, periodic inspections of building shall be made by the Fire Authority to ensure the fire safety of the building and compliance with the provisions of fire and life safety requirements. Periodic occupancy renewal certificate shall also include safe keep of fire fighting installations and equipment for such buildings. In UT of Puducherry there were 9,032 industrial establishments with 1.04 lakh workers and permission for industries were issued through single window system from February 2004 with clearances from various departments. However, NOC from FSD was not included in the single window and hence, no clearance was obtained from the FSD as per National Building Code.

To an audit query, the Inspector of Factories, Industries Department stated (September 2018), NOC from FSD was not considered mandatory to an industrial establishment as there was no such provision in the Factories Act and inspectors appointed under the Factories Act were competent to enforce the fire safety measures. It was further stated that FSD could not insist for NOC until an exclusive fire and life safety law for UT was enacted. The reply only reiterates the audit comment in the earlier paragraph that the absence of Fire Act would leave the FSD unable to insist on safety measures to be undertaken in establishments, where fire incidents could inflict huge losses. Two industrial units (Superfill Products Private Limited and Vaigai

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[19] Anand Residency, AR Textiles, AVR Swarnamaligai, Pothys, Sekar Emporium, Selvi Stores and Vijayaganapathy Stores.

[20] Jeevarathinam Kalyanamandapam, Kandhan Kalyanamandapam, NT Mahal, Rajarajeswari Kalyanamandapam and Siva Vishnu Mahal.

Industries), where fire occurred during June and August 2018, were inspected (September 2018) to ascertain the fire prevention and safety measures available therein.

M/s Superfill Products **-** Highly combustible materials such as high density polyethylene, plastic spindle roller for winding the fish net yarn and cardboards for packing the finished goods were stocked in lots. No fire alarm, smoke detectors, sprinklers, hydrants were installed in the factory, where such combustible materials in large quantity were being kept.


Pictures 10 and 11 : Inoperable Fire hydrant with rusted handle and fire exit obstructed with pipes (Vaigai Industries)

M/s Vaigai Industries **-** The fire exit was blocked and one of the hydrants was inoperable with rusted handle (**Pictures 10** and **11**) and hose reel, wet riser system, automatic sprinkler system, electric fire alarm, exclusive terrace and underground water tanks with 170 kilo litre capacity were also not available.

All the above indicated that the contention of Inspector of Factories that inspectors appointed under the Factories Act were competent to enforce the fire safety measures was not correct and factories continued to violate the fire safety norms endangering the life of the workers. Audit observed that without enactment of an Act exclusively for UT, FSD could not enforce fire safety measures effectively by inspecting any premises and penalise the fire safety defaulters.

2.1.9.4 Cinema halls without proper fire safety equipment

The NBC stipulated that in places of public gatherings including multiplexes, fire safety devices such as reel hoses, water sprinklers and smoke detectors were to be installed. In UT, however, the fire safety certificate for cinema halls was issued under Section 74 of the Pondicherry Cinemas (Regulation) Rules, 1966, which provided for placing water buckets, sand buckets, portable fire extinguishers and stirrup pumps only. Thus, the provision of modern fire safety devices in cinema halls, as stipulated in NBC was not ensured.

A joint physical verification conducted in three cinema halls and a multiplex[21] revealed that though the multiplex fulfilled the required fire safety norms, it did not have setback for free approach of fire engines on three sides. The other three cinema halls did not install any fire safety devices such as reel hoses, water sprinklers and smoke detectors except for fire extinguishers. This indicated that the fire safety certificate was not comprehensive of all fire safety measures to be undertaken in cinema halls. Further, FSD also could not ensure the fire safety preparedness in cinema halls in the absence of a separate Fire Act.

2.1.9.5 Absence of fire safety equipment in hospitals

In UT, there are eight Government General Hospitals (GH)/Employees State Insurance Hospitals, 39 Public Health Centres (PHCs) and four Community Health Centers and 40 private hospitals. The Director, (Health)-cum-Member Secretary instructed (November 2016) that all the private and GHs/Nursing Homes/Medical Colleges having inpatient services should install fire fighting equipment and obtain NOC from FSD and conduct mock drills.

The FSD conducted inspections in a phased manner on availability of fire fighting equipment and forwarded (February 2017) its recommendations to Health Department along with details of fire safety devices such as fire extinguisher, hose reel covering entire floor area and electric fire alarm system to be installed in the hospitals based on the number of floors and size. The FSD further requested (September 2017) the Health Department to direct the hospitals to obtain NOC from FSD, as many of them were not serious about maintaining fire safety norms in their respective hospital campus. Despite this, none of the recommendations were adhered to except for conducting mock drill in GH, Mahe and installation of fire safety equipment in GH, Karaikal.

When pointed out, Health Department replied (June 2018) that NOC from FSD was not obtained in respect of PHCs. It was further stated that based on the FSD recommendations, administrative approval was accorded (March 2018) for installation of fire fighting equipment. However, due to paucity of funds, the Department was not in a position to procure and install the same. Thus, GHs/PHCs were functioning without proper fire safety measures in place jeopardising the safety of doctors, patients and the visitors.

2.1.9.6 Absence of fire safety measure in schools

The Supreme Court directed (April 2009) that State Governments and Union Territories should ensure that the school buildings are safe to ensure the ‘fundamental right of each and every child to receive education free from fear of security and safety’. It directed that school buildings should be constructed

[21] Rathna, Raja, Balaji and Rukmani/Jeeva (Multiplex).

according to NBC with adequate number of fire extinguishers, fire alarms and water tanks with hose reels. It was further directed to conduct mock drills regularly and mandatory fire safety inspection by the FSD followed by issuance of a 'no objection certificate' to the school for granting permission for establishing or continuation of a school.

In UT of Puducherry, there were 430 Government schools and 301 private schools. It was noticed that private schools obtained NOC from FSD for accreditation. The Government schools, however, functioned without clearance from FSD. A survey of 349 Government schools (81 *per cent*) on availability of fire safety/preventive measures revealed that:

- Only nine schools had installed hose reels and had fire extinguishers with validity period, while the validity period of the fire extinguishers installed in the remaining schools had expired long back; and
- Mock drills were conducted only in 43 schools and was not conducted in 306 schools.

On being pointed out by Audit, Public Works Department (PWD) called for proposals (May 2018) from Education Department for installation of fire safety equipment in school premises. All the above indicated the lackadaisical attitude of the UT Government in taking proper care in fire prevention measures, despite Supreme Court directions that fire safety norms should be strictly adhered to. Thus, absence of fire prevention and safety measures in schools clearly put the children vulnerable to the risk of fire.

2.1.9.7 Absence of fire safety measures in Government buildings

The availability of fire safety/preventive equipment in important Government buildings such as Raj Nivas, Legislative Assembly, Chief Minister's Office, Council of Minister's offices and Chief Secretariat was jointly inspected with FSD, which revealed the following.

Raj Nivas

Raj Nivas is the office and residence of the Hon'ble Lieutenant Governor and is a double storied building. It was noticed that smoke detectors and hydrants were not installed. Further, the essential fire safety equipment required as per NBC such as hose reel system, wet riser system, manually operated electronic fire alarm, automatic detection and alarm system, exit signages, exclusive terrace and underground water tanks for fire fighting were also not available.

Legislative Assembly, Chief Minister's Office and Council of Minister's offices

The Legislative Assembly Complex houses the Legislative Assembly and offices of the Chief Minister and all the Ministers. The entire hall was furnished with wooden wall panels and wooden furnitures which were highly inflammable. Only five fire extinguishers were available, with expired validity period (**Picture 12**). No fire safety/ prevention equipment like smoke detectors, water sprinklers, reel hose and hydrants were available.

Picture 12 : Outdated fire extinguisher in Legislative Assembly

Audit observed that FSD had addressed the Legislative Assembly Secretariat during August 2016 about the expired validity period of fire extinguishers and recommended installation of hose reel system, fire alarm, automatic detection system, exit signages and exclusive terrace tank of 15,000 litres capacity with fire pump. However, no follow up action was taken in that regard.

Chief Secretariat

The Chief Secretariat building with ground and four floors is an important building housing all the offices of the Secretaries to Government. It was noticed that all the 15 fire extinguishers installed were outdated by a period ranging from one to two years and required refilling. Further, exclusive underground sump for fire fighting, hose reel, fire alarm, smoke detector, water sprinklers and hydrants were not installed. Setback required for free access of fire engine on three sides of the building was blocked as the area was converted into parking area causing hindrance for free access to fire engines in the event of a fire.

Scrutiny of records revealed that requisition to provide additional fire fighting equipment was sent to PWD in October 2012. However, the work was not taken up, as PWD felt that the lowest quotation of ₹ 29 lakh was on higher side.

All the above indicated that neither PWD, responsible for the maintenance of the Government buildings, nor the client departments showed any interest in providing fire safety measures in Government buildings. The absence of fire safety and prevention measures in key Government buildings is indicative of the negligence of the UT Government to address incidence of fire in the UT, which could have devastating consequences on life and property.

When pointed out, the Secretary to Government (FSD) replied (January 2019) that recommendations were issued to install fire safety equipment in all buildings.

2.1.9.8 Non-adherence of fire safety norms in issue of cracker licence

The District Magistrate (DM) issued temporary licences under Section 84 of Explosive Rules 2008 for possession and sale of fireworks in a temporary shop subject to the condition that fireworks should be kept in a shed made of non-flammable material in a closed secured area to prevent unauthorised persons having access thereto. The minimum size of the shed should be nine sq.m. while the maximum should be 25 sq.m. The licences were to be issued only after the field inspection and recommendation by FSD and Sub-Divisional Magistrate.

Every year, during Deepavali festival, Puducherry Agro Products, Food and Civil Supplies Corporation (PAPSCO), a Government of Puducherry Undertaking, was permitted to open retail crackers shop. A test check of permits given during the years 2016 and 2017 revealed that PAPSCO was permitted to open 31 shops (19 during 2016 and 12 during 2017) in Puducherry region. The FSD, after field inspection, did not recommend opening of retail shops by PAPSCO, as the locations being part of marriage halls, located along with other shops, floor area being more than 25 sq.m. surrounded by buildings with mixed occupancies. Despite this, DM permitted PAPSCO, as it was a Government undertaking.

Audit scrutiny further revealed that in seven cases, FSD did not recommend issue of licences as the floor area was more than 25 sq.m., building having dwelling units and space for fire fighting vehicle was not available. However, on re-inspection, FSD changed the recommendation in favour of issuing licences without any justification for the change.

Thus, while FSD highlighted the need to avoid sale of fire crackers in a vulnerable area, the DM did not pay heed to it and even the FSD abandoned its recommendations without any justification. On being pointed out, the Secretary to Government (FSD) replied (January 2019) that action would be taken to ensure fire safety as per Explosive Rules, 2008.

2.1.10 Conclusion

In the absence of any plan to combat any emergent fire occurrences and a comprehensive data about high risk areas vulnerable to fire accidents, the FSD was not prepared to prevent and handle any emergency that may occur. The risk of fire can only be addressed by strict enforcement of preventive measures and safety. The enforcement and compliance to safety measures in NDMA guidelines, NBC regulations can be ensured only if there is an enactment of Fire Safety Act and Rules. In the absence of the same, the FSD lacks the necessary mandate for effective functioning. The non-adherence to safety regulations and apathy of the administration to facilitate compliance leaves the population of the UT vulnerable to destruction caused by fire accidents. This coupled with poor physical infrastructure and grossly inadequate manpower leaves the UT unable to combat severe fire accidents in the event of their occurrence.

2.1.11 Recommendations

UT Government may take necessary steps to

- enact a Fire Act for Union Territory of Puducherry to empower Fire Service Department to take control of emergency situation of fire along with provisions to penalise fire safety defaulters.
- compile a comprehensive data about high risk areas in Union Territory along with a plan to mitigate fire occurrences.
- provide adequate funds to open new fire stations, procure new fire engines, to ensure effective implementation of fire safety programme.
- provide adequate manpower with requisite training to ensure efficiency in fire prevention and fire fighting operations.
- ensure that all buildings, industries, cinema/marriage halls and commercial establishments adhered to fire safety norms.
- ensure action to provide fire safety measures in all Government schools, hospitals and Government buildings.

COMPLIANCE AUDIT

2.2 Loss to Union Territory Government

ELECTRICITY DEPARTMENT

2.2.1 Loss of revenue

Failure of the Puducherry Electricity Department to periodically renew the bank guarantees/fixed deposits provided by a consumer resulted in loss of revenue of ₹ 54.86 lakh.

The Puducherry Electricity Department (PED) is solely responsible for purchase and sale of electricity in the UT of Puducherry. Section 63 of the terms and conditions of power supply notified by UT Government stipulated that the applicant intending to avail power supply shall pay security deposit in cash or in the form of Fixed Deposit Receipt (FDR) from nationalised banks or any other form of deposits as approved by Government. The deposits were to be monitored and periodically renewed by the PED, so that in case of any default by the consumer, the outstanding dues could be made good from the security deposits held by the PED.

Audit of the offices of three Superintending Engineers, PED was conducted during 2017-18. Scrutiny of the records (January 2018) at the office of the Superintending Engineer (Circle I), PED revealed that a consumer[22] entered (January 2000) into an agreement with PED for availing of High Tension (HT) power supply for a contracted maximum demand of 1,950 Kilo Volt Ampere (KVA), which was subsequently increased to 2,400 KVA (May 2002) and 2,850 KVA (August 2008). The consumer provided security deposit of ₹ 51.71 lakh[23] in the form of three Bank Guarantees[24] (BG) and further provided ₹ 23.28 lakh as additional security deposit in the form of seven FDRs during the years 2004-10. As of January 2010, the PED had three BGs (validity period upto May 2012, April 2013 and May 2015) and seven FDRs[25] (maturity period from February 2010 to January 2014) amounting to ₹ 74.99 lakh.

The consumer defaulted payment of power consumption charges from September 2015 and the service was temporarily disconnected (November 2015). A show cause notice was issued (June 2016) directing the

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22 Shri Padmabalaji Steels Private Limited, Karaikal.

23 ₹ 36.00 lakh, ₹ 9.41 lakh, ₹ 6.30 lakh.

24 From Indian Overseas Bank and State Bank of India.

25 February 2010, February 2010, December 2010, August 2011, February 2013, April 2013 and January 2014.

consumer to pay the arrears of ₹ 54.86 lakh, as per bill for the month of May 2016. The consumer did not respond to the show cause notice. It was further noticed that the consumer had stopped the operation of the factory from February 2016. The PED decided (June 2017) to forfeit the security deposit and terminate the HT service connection. However, PED could not forfeit the security deposit, as the validity of all the BGs/FDRs had expired by May 2015 itself and the due of ₹ 54.86 lakh remained unrecovered as of March 2018. Moreover, the service connection was yet to be terminated (December 2018).

Audit observed the following:

(i) The PED did not take action to renew the three BGs (₹ 51.71 lakh) furnished, as and when their validity expired[26], but only addressed the consumer thrice during April 2013, July 2014 and April 2015 calling for fresh BGs, for which there was no response from the consumer. Such being the case, in April 2015, it was recorded that additional security deposit in the form of BGs were made good by the PED.

(ii) As regards FDRs, the consumer closed all the seven FDRs (₹ 23.28 lakh) during December 2010 itself, without the consent of PED, even before expiry of their respective maturity periods (February 2010 to January 2014), though they were in the possession of PED. Had PED monitored their renewal periodically, the malpractice of closing the FDRs by the consumer, without the consent of the PED, would have come to light during the year 2010 itself (the year in which three out of seven FDRs were due for renewal), and PED could have safeguarded its interest by encashing the BGs, which were in force then.

When pointed out, the UT Government replied (July 2018) that banks were allowed to auto renew the FDRs and hence PED did not initiate action to renew the FDRs and in the present case, it was an unexpected event that FDRs were released by the bank without the consent of the PED. It was further stated that the bank is being addressed repeatedly to release the FDR amount.

The reply is not acceptable, as it was clear negligence on the part of PED, which failed to monitor all the claims and payments including security deposits. Further, the fact that the FDRs were closed by the consumer, came to the knowledge of the PED only when it addressed (June 2017) the Bank for forfeiting them to appropriate the amount towards the dues. Thus, failure of the PED to monitor periodically and renew the BGs/FDRs as and when they matured resulted in a revenue loss of ₹ 54.86 lakh, as there was no valid security deposit with PED to recover the pending dues.

[26] May 2012, April 2013 and May 2015.

2.3 Avoidable expenditure

PUBLIC WORKS DEPARTMENT

2.3.1 Avoidable payment on arbitration for construction of groynes

Failure of the Public Works Department in keeping the contract alive for more than three years after stoppage of work without foreclosure resulted in avoidable payment of ₹ 6.52 crore.

Section 3(1) and Section 3(2)(v) of the Environment (Protection) Act, 1986 (Act) provided that prior clearance of Ministry of Environment and Forests, GOI should be obtained for all construction activity in Coastal Regulation Zone where the investment exceeded ₹ five crore. The PWD took up the work of providing groynes[27] at various places[28] in Puducherry coast to arrest sea erosion, for which expenditure sanction was accorded in November 2006 and technical sanction in May 2007. The work was awarded (August 2007) to a contractor at a cost of ₹ 7.89 crore and was to be completed in 12 months (August 2008). However, as PWD did not obtain prior clearance from GOI, the work was stopped in January 2008 following a stay order by the High Court of Madras[29].

Scrutiny of records (December 2014/May 2018) at the office of the Executive Engineer, Irrigation Division, Public Works Department, Puducherry (EE) revealed that the High Court had disposed off (February 2008) the case with a direction to obtain clearance from GOI before recommencing the work. Based on the direction, the UT Government submitted a proposal (April 2008) to GOI for construction of groynes. GOI constituted (June 2008) an Expert Committee to address the issue of sea erosion. The Expert Committee visited (June 2008) Puducherry and Tamil Nadu coastal areas and suggested for taking certain short/long term measures like construction of groynes, strengthening of damaged seawalls, development of green belt along the coast line among others[30]. GOI awaited the response from both UT Government and Government of Tamil Nadu (GOTN) on this issue based on the recommendations of the Expert Committee.

The GOTN stated (July 2008) that the recommendations of the Expert Committee were being examined and a decision would be informed shortly.

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27 Stonewalls constructed on the seashore to arrest sea erosion.

28 Providing 11 groynes in between Chainage 1,970 m to 3,775 m for the benefit of the fishermen villages of Kurusukuppam, Vaithikuppam, Ankalammankuppam and Solathandavankuppam.

29 Mention was made on this issue in paragraph 3.1.8.3 (i) of Audit Report 2008-09.

30 Improving infrastructure like roads, drainage, sanitation etc., on the seaward side of the seawall and by-passing of about 0.4 million cu.m. of sand to reduce the damage to the existing seawall and taking up of an integrated study by a reputed organisation covering both Tamil Nadu and Puducherry.

The GOI also informed (February 2009) the UT Government that the issue of environmental clearance for groynes would be considered after receipt of response from GOTN. In the meanwhile, GOI, instructed (July 2009) the UT Government to act on the short and long term goals suggested by the Expert Committee. The UT Government did not take any action to achieve the short/long term goals but addressed GOTN in April 2009, September 2009 and February 2010 requesting GOTN to forward its consent to GOI regarding the recommendations of the Expert Committee.

The Executive Engineer, Irrigation Division, PWD, however, kept the contract period alive until December 2010 by provisionally extending it six times *suo-moto* from August 2008. The contract was finally foreclosed only in February 2011, after three years of stoppage of work, as clearance for the work from GOI was uncertain. The value of work completed as on the date of foreclosure was ₹ 77.62 lakh. The contractor did not accept the foreclosure and claimed a compensation of ₹ 4.43 crore towards expenditure and losses suffered and further requested (June 2012) for appointment of an arbitrator.

The arbitrator appointed (October 2012) accepted the contention of the contractor that as the contract period was extended by PWD, he had to incur expenses to restart the work anytime. An award (July 2013) of ₹ 5.01 crore[31] in favour of the contractor including interest payable upto June 2013 was passed by the arbitrator. When PWD sought the opinion of the Law Department for an appeal, it was opined (January 2014) that the case was not fit for appeal in view of the *suo-moto* extensions granted by PWD for more than three years and directed to comply with the award passed by the arbitrator. PWD did not honour the payment immediately, as sufficient funds were not allocated and finally made the payment of ₹ 6.52 crore only in August 2017, which included an additional amount of ₹ 1.51 crore towards interest for belated payment.

Thus, the failure of the UT Government to get prior environmental clearance for construction of groynes before commencing the work or to foreclose the contract once the work was stopped, resulted in an avoidable payment of ₹ 6.52 crore to the contractor, which was eight times more than the actual value (₹ 0.78 crore) of work done by him. Furthermore, PWD did not take any steps to execute the short/long term goals as suggested by the Expert Committee and the objective of arresting sea erosion was also yet to be achieved (September 2018).

The matter has been referred to the UT Government in July 2018; reply was not received (August 2019).

[31] Includes expenditure on preliminary works, idle charges of machinery, other claims, loss of profit and interest after adjusting the mobilisation advance paid to the contractor.

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

PROJECT IMPLEMENTATION AGENCY

2.3.2 Avoidable expenditure of excise duty

Failure of the Project Implementation Agency to avail the excise duty exemption resulted in avoidable expenditure of ₹ 54.47 lakh.

As per Central Excise Notification No. 108/95/CE dated 28.08.1995, goods supplied to projects financed by international organisations including the World Bank (WB) are exempt from levy of excise duty on production of certificate from project implementing authority that the goods were required for execution of the project and that the project has been approved by Government of India. Further, clause 13.3 of the agreement stipulated that the bidders may like to ascertain availability of excise duty exemption benefits available in India to the contracts financed under WB loan. The bidder was responsible for obtaining excise duty benefits which they had considered in their bid and in case of failure to receive such benefits for reasons whatsoever, the employer would not compensate the bidder.

Government of India approved ₹ 188 crore for Union Territory Government of Puducherry under CDRRP in 2014-15 and released the funds to the Project Implementation Agency (PIA) between September 2014 and March 2015 for undertaking works[32] under CDRRP. The CDRRP was financially assisted by the WB.

Under the project, setting up of High Tension interlink provision from the newly constructed/commissioned 110/11 KV Venkatanagar sub-station to part of the city comprising the coastal areas of Vaithikuppam, Kurichikuppam, Muthialpet, Solai Nagar and Gingee Salai and conversion of Low Tension overhead lines into underground cable system with service connection and street lights in Puducherry region and coastal areas were to be executed by the Electricity Department in six packages. PIA accorded administrative approval (August 2015) for the above work at an estimated cost of ₹ 89.10 crore.

Scrutiny of records (March 2017) relating to three packages awarded to two private firms[33] (November 2015) revealed that the contractor procured the materials[34] required for the project at a cost of ₹ 4.36 crore including excise duty of ₹ 54.47 lakh. The contractor failed to avail the excise duty exemption

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[32] Construction of 1,000 multi disaster resilient houses, purchase of modern equipment for fire service, conversion of over head electric lines to underground cables, strengthening of bridges, improvements to fish markets etc.

[33] 1. Shri Vaari Electicals Pvt Ltd, Chennai and 2. K.S. Mani Electricals, Puducherry.

[34] Distribution transformers with off-load tap changer, cast iron spun pipes, four way interlink pillar boxes, six way SS pillar boxes, eight way distribution pillar boxes and alum XLPE cables 1.1 KV are a few major items procured.

as per the Central Excise notification mentioned above in spite of clause 13.3 of the agreement which clearly specified the procedure to be followed.

On this being pointed out, the PIA replied that the clause as per the WB approved bid document was included as Para 13.3 of the bid documents of PIA. It was added that the contractor had to furnish the details as "declaration regarding excise duty exemption for materials/construction equipment bought for the work" and it was the responsibility of the contractor to get the refund. Further, if details were not furnished, it should be taken as that the contractor was not seeking any refund of excise duty.

The reply of the PIA that the payments were in accordance with the signed agreement was not acceptable as in the instant case, the contractors had submitted the declaration without any mention of the materials to be procured and the same was certified by the Executive Engineer. Thus, the PIA had failed to check and ensure that the list of materials to be procured by the contractor was included in the declaration submitted by the contractor.

Further, it was in the interest of the implementing authority to ensure that the central excise exemption was availed. Thus, payment of excise duty to the materials procured, without availing the exemption notified by GOI for WB aided project had resulted in avoidable expenditure of ₹ 54.47 lakh under the project.

The matter was referred to the UT Government in June 2018; reply was not received (August 2019).

LABOUR DEPARTMENT

2.3.3 Avoidable payment of tax

The Puducherry Building and Other Construction Workers Welfare Board did not obtain tax exemption as provided in the Income Tax Act resulting in avoidable payment of tax of ₹ 0.43 crore on the interest earned.

Section 10 (46) of the Income Tax Act, 1961 provides that specified income arising to a Body or Authority or Board constituted by or under a Central or State Act or by a Central or State Government with the object of regulating or administering any activity for the benefit of general public, would be exempt from tax, subject to the condition that the said entity was not engaged in any commercial activity. The entity eligible to claim tax exemption was required to be notified by the Central Government in the Official Gazette, for which, the entity shall apply to Income Tax Department.

The UT Government constituted the Puducherry Building and Other Construction Workers Welfare Board (Board) in December 2002 under the Building and Other Construction Workers (Regulation of Employment and

Conditions of Service) Act, 1996[35], to regularise the wages, working conditions, safety, health and welfare measures, etc., exclusively for the welfare of building and other construction workers. In order to facilitate the implementation of welfare schemes[36] for the construction workers, the UT Government levied cess at the rate of one *per cent* on the cost of the construction under the Building and Other Construction Workers Welfare Cess Act, 1996[37].

Scrutiny of records of the Board (December 2017) revealed that under Section 267 of Pondicherry Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2001, the Board constituted the Pondicherry Building and Other Construction Workers Welfare Fund, into which the cess collected is credited. As of July 2017, the Board had collected ₹ 101.78 crore as cess. Of this, the Board held investments as FDRs amounting to ₹ 60.73 crore in nine nationalised banks[38], after incurring expenditure on welfare activities. However, as the Board did not apply for exemption from tax under section 10(46) of Income Tax Act, the banks deducted ₹ 0.43 crore[39] as tax at source on interest earned on FDRs and remitted the same in Government Account. Further, the Board failed to take action to obtain exemption even after being pointed out (April 2017) by one of the banks (Bank of Baroda) to submit a copy of the letter or Government order that Board was exempted from Tax so that necessary action would be taken in that regard.

Thus, Audit observed that the Board being an entity established for the welfare of construction workers should have availed the exemption as provided, so that the surplus amount earned by way of interest could be used effectively for the welfare of the construction workers. Failure of the Board in that regard had resulted in an avoidable payment of tax of ₹ 0.43 crore.

When pointed out, the UT Government accepted (November 2018) and stated that exemption from deduction of tax was not obtained. It was further stated that application for exemption was submitted (August 2018) to GOI.

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35 Enacted by Government of India.

36 Maternity benefits, pension, advances for purchase/construction of houses, disability pension, loans for purchase of tools, financial assistance towards funeral expenses, medical assistance, financial assistance for education and marriage of children, scholarships for students etc.

37 Enacted by Government of India.

38 Bank of Baroda, Canara Bank, Corporation Bank, Dena Bank, Indian Overseas Bank, Indian Bank, Punjab National Bank, State Bank of India and UCO Bank.

39 2012-13 (₹ 0.02 crore), 2013-14 (₹ 0.01 crore), 2014-15 (₹ 0.02 crore), 2015-16 (₹ 0.09 crore), 2016-17 (₹ 0.10 crore) and 2017-18 (₹ 0.19 crore).

PLANNING AND RESEARCH DEPARTMENT AND FISHERIES AND FISHERMEN WELFARE DEPARTMENT

2.3.4 Avoidable payment of interest on arbitration award

Failure to provide necessary budget provision to make arbitration award payments without any delay, resulted in avoidable interest payment of ₹ 0.41 crore.

The Finance Department of the UT Government instructed (October 2015) all the Heads of the Departments, that in order to save Government money being unnecessarily paid towards interest on account of delay in settlement of court orders, arbitrations etc., payments on that account should be prioritised over other bills to settle arbitration awards/court orders/land acquisition payments, without any delay.

Mention was made in the paragraph 3.2.1 of the Audit Report of Union Territory of Puducherry for the year 2011-12 regarding the injudicious termination of a contract by the PWD for construction of a fishing harbour at Mahe, which resulted in an avoidable time and cost escalation of ₹ 33.63 crore, as the work was later executed at a higher cost. The contractor sought for arbitration and the arbitrator concluded (December 2011) that termination of the contract was illegal and passed an award of ₹ 3.29 crore in favour of the contractor. The issue was then pending in the Court of Law as PWD filed (April 2012) an appeal against the arbitration award.

Scrutiny of the records (November 2017) at the Secretariat (Fisheries) and Directorate of Fisheries and Fishermen Welfare revealed that the appeal was dismissed in December 2015 and the PWD was directed to deposit ₹ 3.29 crore in District Court, Puducherry within a period of two months, and delay in depositing the award amount would carry an interest of 12 *per cent*. The PWD sought the opinion of the Government pleader, who opined (February 2016) that the case was not fit for appeal. Following this, the PWD forwarded (March 2016) the proposal to UT Government, through Fisheries Department, for release of funds. The Finance Department, however, directed (April 2016) the Fisheries Department to approach the Planning and Research Department (PRD) for release of funds.

The Fisheries Department instead of approaching the PRD, forwarded (April 2016) the file to PWD with a direction to approach the PRD for release of funds. As the scheme related to Fisheries Department, the PWD returned (May 2016) the file to Fisheries Department to approach the PRD itself. The Fisheries Department approached PRD in June 2016 for release of funds. The PRD, however, provided (August 2016) ₹ two crore only in Budget Estimate 2016-17 against the requirement of ₹ 3.29 crore. The expenditure sanction was issued in November 2016 and due to funds constraint, only ₹ 1.70 crore was deposited in the Court during November 2016/March 2017. Though the expenditure sanction further provided that the balance amount of ₹ 1.59 crore would be made available through the supplementary grant during the year 2016-17 itself, no such provision was made in the supplementary grant for the year 2016-17.

During 2017-18, against the balance due of ₹ 1.59 crore, the Fisheries Department requested only ₹ 0.50 crore in the Budget estimates 2017-18, for which a provision of only ₹ 0.14 lakh was made in the Budget by the PRD and ₹ two crore was provided later during the year through supplementary grant (₹ 1.11 crore) and re-appropriation (₹ 0.89 crore) (March 2018). This further delayed issue of expenditure sanction for the second instalment, which was issued in March 2018 and an amount of ₹ two crore including interest of ₹ 0.41 crore upto March 2018 was deposited in the Court (March 2018). As of March 2018, against the original arbitration award of ₹ 3.29 crore, an amount of ₹ 3.70 crore was deposited in the Court, which included ₹ 0.41 crore as interest for the period of delay (25 months from March 2016).

Thus, the failure of the Fisheries Department, to get necessary budget provisions and that of the PRD to provide necessary funds against the proposals submitted by the Fisheries Department, despite clear directions in this regard from the Finance Department that arbitration award payments should be prioritised to avoid payment of interest unnecessarily, resulted in an avoidable payment of interest of ₹ 0.41 crore.

The matter has been referred to Government in August 2018; reply has not been received (August 2019).

2.4 Idle investment

FISHERIES AND FISHERMEN WELFARE DEPARTMENT

2.4.1 Idle investment on Modern Hygienic Fish Market

Inconclusive decision in finalisation of beneficiaries for allotment of stalls in the 'Modern Hygienic Fish Market', constructed at a cost of ₹ 13.42 crore resulted in an idle investment for more than two years.

The Project Implementation Agency (PIA) was established (2005) by the UT Government to execute works under the World Bank aided 'Emergency Tsunami Reconstruction Project'. The UT Government released ₹ 75 crore during 2005-06 to PIA to execute works approved by the World Bank under the project. 'Construction of Modern Hygienic Fish Market' (MHFM) was one of the works taken up under the project which aimed at improving the livelihood of fishermen. The MHFM was to provide a safe and hygienic fish storage, processing and selling area.

Scrutiny of records in PIA and Oulgaret Municipality during September 2016 revealed that the construction of MHFM at Pakkamudayanpet in East Coast

Road was awarded (May 2011) for ₹ 13.42 crore. The contract period for the work was 12 months from the date of award of the contract and was to be completed by May 2012. The work commenced in May 2011 as stipulated in the work order. However, the work was completed in October 2015 after a delay of three years. Finally, the MHFM was handed over to the Municipality in January 2016, but it was taken over by the Municipality only in May 2017 owing to some repair works.

The MHFM has various modern facilities such as a fish sale area comprising 110 fish stalls, an auction hall, washing and storing room, ice plant, cold storage room, restaurant, Automatic Teller Machines, public conveniences. The selection of beneficiaries for allotment of stalls was to be decided by the Department of Fisheries and Fishermen Welfare (Department), Puducherry.

Regarding allotment of stalls to the fishermen, PIA decided (September 2015) that the Department shall submit a proposal to the Government to allot the fish stalls either by calling for applications from eligible fishermen from previously uncovered villages or by allotting the fish stalls to the Fishermen Co-operative Societies (Societies) of Puducherry. Accordingly, it was ordered (November 2015) by the Government that fish stalls were to be allotted to various Societies on payment of a daily charge of ₹ 50 per stall to the Municipality and the Societies would have to select individual fishermen to occupy the fish stalls. Subsequently, the Societies were directed to furnish the list of beneficiaries on or before 20 January 2016. However, no action was taken thereafter.

In the meanwhile, representatives of coastal areas demanded (August 2016) allotment of additional stalls for their respective villages. Hence, the Department proposed to select beneficiaries randomly by lots and the Societies were to furnish a complete list of fish vendors for selection. The method of selection of beneficiaries for allotment by lot also did not materialise.

Finally, the Department decided (January 2017) to do the selection by a three member committee[40] and the selected list was to be placed before the Cabinet for decision on allotment. Accordingly, guidelines were issued (January 2017) for the selection of beneficiaries and the Department invited (February 2017) applications from fishermen for allotment of stalls as per prescribed eligibility conditions.

Applications from 1,175 fishermen were received for 110 stalls. The applications received were verified by Village Level Fisheries Officers and 224 (180 General and 44 special category) were identified as eligible beneficiaries. The list of identified eligible beneficiaries was forwarded to the Government (September 2017) for approval. However, no consensus on the modalities to select 110 beneficiaries for the stalls in MHFM was arrived at and it was decided (October 2017) to allocate stalls to 44 special category beneficiaries only, in a meeting chaired by the Chief Minister, representatives

[40] Director of Fisheries, Project Officer and Deputy Director of Fisheries.

of the coastal areas and Departmental officers. Finally, the MHFM was opened to public in February 2018 after allotting stalls for 43[41] special category beneficiaries. Allotment of the balance 67 stalls was left undecided and they are still vacant as of June 2018.

It was evident from the above that the Government did not decide on the method of selection of beneficiaries before the commencement of the project or even during the construction of the MHFM to take optimum use of the MHFM. This led to undue delay in commissioning of the MHFM. Thus, the MHFM designed in April 2010 for the benefit of livelihood of fishermen was completed in October 2015 after a delay of five years. Furthermore, MHFM could not be put to use due to repairs and remained idle for more than two years defeating the objective of the project. Incidentally, ₹ 33.43 lakh was also spent on electricity charges for the MHFM even before it was thrown open to the public for use.

On being pointed out, the PIA replied (June 2018) that the responsibility of allotment of the balance 67 out of 110 stalls vested with the Department and the delay was due to administrative reasons.

The matter has been referred to Government in August 2018; reply has not been received (August 2019).

2.5 Welfare and Relief for Fishermen during the period of Ban, Lean Seasons and Natural Calamities in Union Territory of Puducherry

2.5.1 Introduction

The UT of Puducherry (UT) comprises four regions, namely Puducherry, Karaikal, Mahe and Yanam with a coastal line of 45 kms. The UT has a population of 96,071 dependent on the fishing sector, of which 86,581 fishermen lived in coastal area. The Fisheries and Fishermen Welfare Department (Department), with the main objective to conserve the marine resources sustainably, adopted a uniform fishing ban for 61 days commencing from the 15th of April to the 14th of June on the east coast[42] (Puducherry, Karaikal and Yanam) and 47 days commencing from 15 June to 31 July on the west coast (Mahe), every year.

To provide compensation to the fishermen families, during the ban period, as stated above and lean season for three months (October to December of every year), UT Government introduced (September 2009) the scheme of "Welfare and Relief for Fishermen during Lean Seasons and Natural Calamities". Under

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41 One allottee got remarried and hence deleted from the eligible list.

42 From 15 April to 31 May during 2015-17, which was later revised as 15 April to 14 June during 2017-18.

the scheme, the fishermen families were provided financial assistance as below:

- Ban period assistance of ₹ 5,500 and ₹ 4,000 for 61 days and 47 days respectively.
- Lean season assistance of ₹ 2,500.
- Old age pension was to be provided to fishermen aged 50 and above.
- Immediate relief of ₹ 1.50 lakh for missing fishermen and ₹ two lakh in case of deceased fishermen.

Apart from this, the Department also implemented a Government of India sponsored 'Savings-cum-relief' scheme from 1982-83, to help the fishermen to tide over the financial difficulties during lean season.

An audit of the scheme was taken up during March-September 2018 covering a period from 2015-18 to ascertain whether the identification of beneficiaries and distribution of benefits were as per the scheme guidelines. Records were scrutinised at the Secretariat (Fisheries and Fishermen Welfare Department), Directorate of Fisheries and field offices in all the four regions. Besides, records were also scrutinised at Pondicherry Fishermen Welfare and Distress Relief Society (PFWDRS). The entry conference was held on 6 March 2018 with the Secretary to Government, Fisheries and Fishermen Welfare Department wherein the audit objectives and scope of audit were discussed. The Exit Conference was held on 26 October 2018 wherein the results of audit were discussed.

Audit findings

2.5.2 Ban period and lean season assistance

Under the scheme, to receive the cash assistance of ₹ 5,500 during ban period and ₹ 2,500 during lean season, the beneficiary should possess a ration card, identification card issued by the Department and membership certificate of Fishermen Co-operative Society of the respective village. Beneficiary shall also be considered based on the decisions taken periodically by the Governing Body of the PFWDRS. The Village Level Fisheries Officers (VLFOs) invited a common application for ban period and lean season assistance from the beneficiaries and after verification of the genuinity of the applicants, were to record their recommendation in the applications for release of cash assistance. The Deputy/Assistant Directors of the respective regions[43] consolidated the list of eligible applicants and forwarded the proposal for release of funds to UT Government. On approval, the funds were released as Grant-in-aid to PFWDRS, which released to the bank accounts of the eligible fishermen through Electronic Clearance System.

[43] Puducherry, Karaikal, Mahe and Yanam.

2.5.2.1 Release of Grant-in-aid for the scheme

During 2015-18, 60,878 beneficiaries were provided ₹ 43.76 crore as ban period and lean season assistance as given in **Table 2.5**.

Table 2.5: Grant-in-aid released for ban period/lean season assistance

(₹ in crore)

Year	Grants released	Amount utilised	Balance
2015-16	13.14	12.87	0.27
2016-17	15.67	15.05	0.62
2017-18	16.92	15.84	1.08
Total	**45.73**	**43.76**	**1.97**

(Source: Details furnished by the Department)

2.5.2.2 Absence of procedure for selection of beneficiaries

The UT Government prescribed the eligibility criteria for beneficiaries under the scheme. Audit observed that there was no methodology for selection of eligible beneficiaries and the Department released the cash assistance to the beneficiaries during ban period and lean season based on a common application during ban period.

In the absence of methodology for selection and non-identification of beneficiaries during ban and lean season separately, discrepancies such as release of assistance without applications, release of assistance to applicants who did not fulfil the eligibility criteria and to ineligible beneficiaries were noticed as discussed in the succeeding paragraphs.

2.5.2.3 Release of cash assistance without inviting applications

Towards release of cash assistance during the audit period (2015-18), Audit observed that though applications were invited from beneficiaries in Puducherry and Yanam regions every year, applications were not invited in Karaikal region during 2015-16 and 2016-17 and in Mahe region during 2016-17. In the absence of applications, cash assistance amounting to ₹ 5.58 crore were distributed to 17,133 beneficiaries[44] in both the regions during 2015-17 based on the beneficiaries list finalised during the earlier years.

When pointed out, the Assistant Director, Mahe replied (March 2018) that there was no instruction to collect applications from the beneficiaries. The Deputy Director, Karaikal replied (July 2018) that beneficiary list was finalised by collecting applications from new beneficiaries, in addition to the list of last year beneficiaries. It was, however, stated that applications were being collected from the year 2017-18 in respect of both the regions.

[44] 15,932 (Karaikal) and 1,201(Mahe).

The reply was not acceptable as the genuineness of the beneficiaries was not verified against the prescribed criteria for distribution of cash assistance which stipulated that assistance should be given only to fishermen families having ration card and were members of fishermen co-operative societies.

Audit analysed the beneficiaries list in respect of Karaikal region for the years 2015-16 and 2016-17, for which applications were not received. The exercise revealed that 2,915 ineligible beneficiaries were paid cash assistance during ban period/lean season amounting to ₹ 0.95 crore. The payments made to persons who were not members of fishermen co-operative societies (1,408) or did not produce ration cards (1,333) was irregular. It was further noticed that cash assistance was distributed to members of same families (174) getting the financial assistance twice per year against scheme guidelines which stipulated that one cash assistance for each family per year.

Thus, it was evident that the scheme was implemented without a laid down procedure for selection of beneficiaries and also without an application for release of assistance.

2.5.2.4 Deficiencies in verification of eligibility status of beneficiaries

Out of 11,566 beneficiary applications (Puducherry Region), Audit test checked 3,439[45] applicants to which ban period and lean season assistance was distributed during 2015-18, which revealed the following deficiencies.

- The VLFOs did not record recommendations in any of the applications.
- 3,029 applications (88 *per cent*) were not supported by Fishermen Co-operative Societies' membership card.
- 3,423 applications (99 *per cent*) were not supported by identity cards issued by the Department.
- 2,479 applications (72 *per cent*) were not supported by copy of ration card (only ration card number was entered in the application).

On being pointed out, the Department replied (July 2018) that cash assistance was disbursed based on the ration card details provided by the respective applicants and routine process of checking applications could not be done due to shortage of staff.

The reply was not acceptable, as the test check showed that in many cases the ration cards were missing. The other documents, such as identity card issued by the Fisheries Department and membership card of fishermen co-operative societies, necessary to identify the beneficiary as a fisherman were also missing.

When pointed out, the Secretary to Government, Fisheries Department, during Exit Conference (October 2018) stated that rules would be framed for conduct

[45] 30 *per cent* by random selection.

of social audit and responsibility would be fixed. He further stated that selected list would be displayed in public domain.

2.5.2.5 Delay in distribution of cash assistance

The scheme was aimed to provide cash assistance to the fishermen during the ban period and lean season, as they could not venture into sea for their livelihood. The details of distribution of cash assistance during the years 2015-18 is given in **Table 2.6**.

Table 2.6: Distribution of cash assistance during 2015-18

Sl.No.	Description	2015-16	2016-17	2017-18
1	Issue and collection of common application for ban period/lean season by the Department	May 2015 to July 2015	May 2016 to July 2016	May 2017 to July 2017
For ban period				
2	Date of forwarding proposal to UT Government for sanction of fund by the Department	30.04.2015	18.06.2016	14.06.2017
3	Sanction of fund by UT Government	May/November 2015	June 2016	June 2017
4	Distribution of cash assistance by the Department	22.05.2015 to 11.03.2016	25.07.2016 to 30.3.2017	5.07.2017 to 29.12.17
5	Delay in months after end of ban period in July	8 months	8 months	5 months
For lean season				
6	Date of forwarding proposal to UT Government for sanction of fund by the Department	October 2015	February 2017	December 2017
7	Sanction of fund by UT Government	November/ December 2015 and February 2017	February 2017	December 2017
8	Distribution of cash assistance by the Department	27.11.2015 to 20.02.2017	20.02.2017	05.01.2018 to 26.04.2018
9	Delay in months after end of lean season in December	14 months	2 months	4 months

(Source: Details furnished by the Department)

It was evident from **Table 2.6** that the Department invited applications only in May every year *i.e* after commencement of ban period in April and cash assistance was paid belatedly after the ban period ended, primarily due to the delay in identification of beneficiaries. As regards lean season (October to December of every year) though the common applications were collected in

July every year, the proposals for assistance was sought for only in October/ December and February of the following year which caused the delay. Thus, the cash assistance reached the beneficiaries much after the intended seasons.

When pointed out, the Department replied (November 2018) that delay in issue of expenditure sanction by UT Government was the reason for delayed disbursement of cash assistance. The reply is not acceptable, as the Department's failure in not forwarding the proposal for sanction of assistance, before commencement of ban period and lean season, was the reason for the delay.

2.5.2.6 Distribution of assistance to ineligible beneficiaries

To ensure the correctness of database of eligible beneficiaries, Audit forwarded the beneficiary list for 2017-18 furnished by the Department to the Department of Civil Supplies and Consumer Affairs and the Director of Accounts and Treasuries, Puducherry to ascertain the genuineness of the fishermen beneficiaries from the ration card details and whether they were in Government service.

The exercise revealed that 644 beneficiaries who were employed in Government departments or pensioners, received cash assistance amounting to ₹ 51.52 lakh. Further, it was noticed that cash assistance was distributed to members of same families (174) getting the financial assistance twice per year against scheme guidelines which stipulated that one cash assistance for each family per year. This indicated that VLFOs had not discharged their duties as envisaged, despite instructions to exclude Government servants, pensioners, etc., while verifying the issue, collection and verification of applications.

When pointed out, the Department stated (July 2018) that action was being taken to exclude the fishermen families who were in Government service/ pensioners and a letter has been addressed (July 2018) to Director of Treasuries, Puducherry to verify the details of fishermen in Government service/pensioners for taking further action in that regard. Thus, it was evident that the scheme benefits intended to mitigate the sufferings of fishermen during ban period and lean season were extended to Government servants against the objective of the scheme.

2.5.3 National Scheme of Welfare of Fishermen - Saving-cum-Relief scheme

The Department implemented a Centrally Sponsored Scheme 'National Scheme of Welfare of Fishermen - Saving-cum-Relief' (SCRF) scheme from 1982-83, wherein the fishermen were to contribute ₹ 900 (₹ 100 per month from January to September) and GOI would contribute ₹ 1,800 per fisherman. The total assistance of ₹ 2,700 would be paid to fishermen in three instalments during the lean season of October to December. In the event of non-receipt of

GOI share, the fishermen contribution would be returned to them, with interest.

Scrutiny of records revealed that during 2014-15, the Department collected ₹ 2.26 crore as fishermen contribution, but did not forward the proposal for release of GOI share during that year and assistance was not released to fishermen for the year 2014-15. The Department, however, continued the scheme and collected ₹ 2.32 crore as contribution for the year 2015-16 from 25,779 fishermen. The combined proposal for GOI share of ₹ 9.17 crore[46], was finally forwarded only in December 2016. Meanwhile, GOI included (June 2016) this scheme under 'Blue Revolution – Integrated Development and Management of Fisheries' and released ₹ 9.43 crore towards SCRF for the period 2014-18.

Of ₹ 9.43 crore, the Department paid ₹ 4.53 crore to the fishermen to clear the backlog for the year 2014-15 and utilised the balance for other components[47] under Blue Revolution and the fishermen too did not come forward to make their contribution for subsequent years (2016-18) as they were not provided with the assistance for the year 2015-16 though they contributed ₹ 2.32 crore. Thus, with no funds available further, the scheme was not implemented thereafter.

When pointed out, Department stated (June 2018) that there was a balance of ₹ 0.60 crore and sanction was obtained for disbursement to 3,358 fishermen of Yanam Region for the backlog year 2015-16, as first phase. Further, it was stated that the balance amount of ₹ 4.03 crore payable to 22,421 subscribers (25,779 – 3,358) for the year 2015-16 was sought for from GOI and in future the department would follow the guidelines of GOI.

Thus, delay in forwarding the proposals for GOI contribution in 2014-15 and consequent failure to release the assistance to fishermen during 2015-16, despite contributions from fishermen, resulted in stoppage of a relief scheme during the years 2016-18. Moreover, even the contribution collected from fishermen was not returned to them.

2.5.4 Old Age Pension Scheme

The Old Age Pension (OAP) scheme was implemented (December 2003) with the objective of providing financial assistance to old aged fishermen who were actively engaged in fishing upto the age of 50 years[48]. As per Old Age Pension Rules, 2003, the eligibility criteria prescribed that applicants should be a resident of UT, should not have any other regular source of income from movable/immovable property of self or spouse and should not receive any

46 For two years - 2014-16.

47 Construction and input cost for fresh water and brackish water aquaculture and motorisation of traditional craft.

48 ₹ 1,570 (50 to 59 years), ₹ 2,090 (60-79 years) and ₹ 3,135 (above 80 years).

other financial assistance from any other agencies/sources which were fully or partly funded by the Central or State Government. The fishermen should make an application in prescribed form for OAP to the Department and after scrutiny of age, residential proof, personal verification etc., the OAP was approved. Further, the OAP once sanctioned would be valid only for ten years, after which it should be renewed every five years, to ensure that the beneficiary continued to satisfy the eligibility criteria. The main criterion for sanction of OAP was that the applicant must submit a NOC from Women and Child Department (WCD), which implemented similar scheme for old age beneficiaries.

2.5.4.1 Extending OAP benefits to beneficiaries without ensuring the eligibility criteria

To ensure extension of the benefits of the scheme only to deserving beneficiaries, 540 applications[49] belonging to all the four regions were test checked. It was noticed that out of 540 applications, 414 applications were not supported by NOC from WCD. While applications in Yanam region were supported by NOC, applications in Mahe and Karaikal regions were not supported by NOC. In respect of Puducherry region, NOC was not obtained from WCD, but only a seal of anganwadi centre was affixed instead of NOC from WCD. Further, the OAPs once sanctioned was continued, without sanction being renewed after ten years, after ensuring that the beneficiary continued to satisfy the eligibility criteria.

Thus, sanction of OAP without obtaining NOC from WCD indicated that the Department did not ensure that the beneficiary was in receipt of two OAPs. Further, extending OAP beyond ten years without renewal would only lead to release of OAP to beneficiaries, who might become ineligible at a later date.

2.5.4.2 Delay in extending OAP to eligible beneficiaries

In Yanam region, 209 applicants were eligible for OAP, after completion of verification process in November 2017. However, Audit observed that the Department was yet to sanction OAP for the eligible applicants despite a reminder (July 2018) in that regard from Assistant Director, Yanam. Hence, 209 eligible beneficiaries were deprived of their legitimate financial assistance for more than a year as of November 2018, since their selection.

When pointed out, the Department stated (November 2018) that due to paucity of funds, OAP was not sanctioned to them. The reply was not acceptable, as any delay in that regard would only deprive the old age beneficiaries of their statutory benefit of OAP for betterment of their livelihood.

[49] Puducherry (182), Karaikal (122), Mahe (126) and Yanam (110).

2.5.4.3 Non-implementation of funeral assistance scheme

As an extension of the OAP scheme, the UT Government provided (September 2010) funeral assistance of ₹ 2,000 to the nominee of the old age pensioner immediately, in the event of death of the pensioner to meet the funeral expenses. The Department, however, did not implement the scheme for the past eight years. When pointed out, the Department replied (April 2018) that scheme was not implemented due to difficulty in identifying the nominee and obtaining legal heir certificate.

The reply was not acceptable, as the scheme guidelines stipulated that the nominee mentioned by the pensioner while applying for OAP, was to be provided with the funeral assistance. The rules made no mention of furnishing a legal heir certificate for availing the funeral assistance. Thus, failure of the Department to implement the scheme deprived the bereaved families of 581 deceased pensioners of funeral assistance during 2015-18.

2.5.5 Shortage of manpower

The Inspector/Sub-inspector of Fisheries were designated as VLFOs who were responsible for inviting applications from beneficiaries for all welfare schemes, beneficiary verification, recording their recommendations based on field visit regarding the eligibility of the beneficiaries. Apart from this, they were also entrusted with administration works such as monitoring of fishing crafts, issue of biometric cards and forming of quick response team at the time of natural calamities. The manpower position of VLFOs and the number of villages under their control alongwith the eligible beneficiaries to whom they have to cater is given in **Table 2.7**.

Table 2.7 : Village Level Fisheries Officers - Men in position

Region	Number of villages	Number of beneficiaries during 2017-18	Sanctioned posts	Men in position	Vacancy	Average number of beneficiaries to be served
Puducherry	26	10,995	33	16	17	687
Karaikal	12	3,523	6	3	3	1,174
Mahe	1	600	2	2	Nil	300
Yanam	12	5,016	2	2	Nil	2,508
Total	**51**	**20,134**	**43**	**23**	**20 (47 *per cent*)**	

(Source: Details furnished by the Department)

It was evident from **Table 2.7** that workload among VLFOs was not evenly distributed in the four regions and it varied from 300 to 2,508 beneficiaries per VLFO. Besides, most of the VLFOs were to look after more than one fishing village due to 47 *per cent* vacancy against the sanctioned posts. The posts were lying vacant for a period ranging from one to 14 years (November 2004 - May 2017).

It was further noticed that the PFWDRS, established with an aim of extending financial assistance under various welfare schemes and distribution of essential articles to fishermen during floods, cyclone etc, was not provided with separate staff and was only administered by a VLFO who was in charge of four villages.

Thus, it was evident that due importance was not given in filling up the vacant posts in field level and this led to procedural lapses.

2.5.6 Records not produced to audit

Identification of deserving beneficiaries and selecting them through a proper process is an important criterion for the success of any welfare scheme. In order to ensure whether the scheme was implemented as per guidelines and the scheme benefits were being extended to eligible beneficiaries whose livelihood depends on such benefits, Audit called for the policy note on welfare schemes implemented by the Department. However, it was not made available to Audit despite repeated reminders both at Directorate level and Government level. In the absence of these notings, the background for introduction of the scheme, what was actually envisaged and the selection procedure to identify eligible beneficiaries was not examined.

The Department, despite several reminders, did not produce the reports of the VLFOs regarding the spot verification of applications and hence Audit could not verify the authenticity of the spot verification conducted, in the absence of recorded recommendations in any of the applications. As such, failure to produce the above records, which were essential for selection of eligible fishermen, indicated the unwillingness of the Department to co-operate with Audit.

When pointed out, the Department, during Exit Conference (October 2018), accepted that the policy note file was not traceable. It was further stated that the applications were not traceable due to shifting of office premises.

2.5.7 Conclusion

The schemes meant to provide relief to fishermen suffered from faulty implementation. Payments were delayed much after ban period and lean season. Non-payment of funeral assistance and non-renewal of OAP were some of the lapses in the implementation of the scheme. The efficient functioning of the scheme depended on the availability of the VLFOs whose post was significantly vacant which impaired the functioning and execution of the scheme.

The matter was referred to Government in October 2018; reply has not been received (August 2019).

CHAPTER III

REVENUE RECEIPTS

CHAPTER III

REVENUE RECEIPTS

3.1 Trend of Revenue Receipts

3.1.1 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 (GOI) during the year 2017-18 and the corresponding figures for the preceding four years are mentioned in **Table 3.1**.

Table 3.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Category	2013-14	2014-15	2015-16	2016-17	2017-18
I	Revenue raised by the Government					
	(a) Tax revenue	1,904.51	1,992.74	2,260.34	2,401.21	2,805.55
	(b) Non-tax revenue	1,192.59	1,300.36	1,137.75	1,245.37	1,373.73
	Total (I)	**3,097.10**	**3,293.10**	**3,398.09**	**3,646.58**	**4,179.28**
II	Receipts from GOI - Grants-in-Aid	1,210.51	1,464.80	1,689.86	1,736.37	1,823.39
III	Total receipts of the Government (I + II)	4,307.61	4,757.90	5,087.95	5,382.95	6,002.67
IV	Percentage of I to III	72	69	67	68	70

(Source: Finance Accounts of the respective years)

During the year 2017-18, the revenue raised (₹ 4,179.28 crore) by the Union Territory Government was 70 *per cent* of the total revenue receipts (₹ 6,002.67 crore), as against 68 *per cent* in the preceding year. The balance (₹ 1,823.39 crore) 30 *per cent* of the receipts during 2017-18 were obtained from the GOI as Grants-in-Aid and contributions.

3.1.2 The details of tax revenue raised during the period from 2013-14 to 2017-18 are given in **Table 3.2**.

Table 3.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+)/ decrease (-) in 2017-18 over 2016-17
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Goods and Services Tax	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	851.31	*
2	Taxes on Sales, Trade, etc.	1,505.00	1,256.71	1,380.00	1,313.13	1,510.00	1,438.89	1,600.00	1,576.48	1,725.00	1,008.45	**
3	State Excise	620.00	511.72	560.00	544.67	630.00	673.75	775.00	671.27	700.00	769.92	(+)14.70
4	Stamps and Registration Fees	98.00	82.79	96.00	74.96	115.00	76.37	100.00	65.50	80.00	70.50	(+)7.63
5	Taxes on Vehicles	66.00	51.95	63.00	58.46	83.00	69.34	83.00	86.94	92.00	104.29	(+)19.96
6	Land Revenue	0.80	1.14	0.80	1.30	1.75	1.93	1.75	1.02	2.62	1.08	(+)5.88
7	Others	0.20	0.20	0.20	0.22	0.25	0.06	0.25	Nil	0.38	Nil	Nil
Total		**2,290.00**	**1,904.51**	**2,100.00**	**1,992.74**	**2,340.00**	**2,260.34**	**2,560.00**	**2,401.21**	**2,600.00**	**2,805.55**	

* New scheme of taxation introduced with effect from 1 July 2017

** Not comparable since VAT on all items except petroleum goods and alcohol subsumed in GST from 1 July 2017.

(Source: Finance Accounts of the respective years)

3.1.3 The details of non-tax revenue raised during the period from 2013-14 to 2017-18 are given in **Table 3.3**.

Table 3.3 : Details of non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2013-14		2014-15		2015-16		2016-17		2017-18		Percentage of increase (+) / decrease (-) in 2017-18 over 2016-17
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	1,200.00	1,055.15	1,220.00	1,159.92	1,300.00	990.60	1,200.00	1,116.21	1,253.00	1,197.17	(+) 7.25
2	Interest Receipts, Dividends and Profits	36.29	68.44	81.62	93.28	93.28	91.88	97.10	66.45	72.10	98.90	(+) 48.83
3	Medical and Public Health	14.50	9.46	10.97	9.15	12.54	16.58	19.01	13.51	14.01	16.64	(+) 23.17
4	Education, Sports, Art and Culture	0.26	0.91	1.00	0.99	1.14	2.22	2.44	1.07	2.44	1.25	(+) 16.82
5	Crop Husbandry	0.46	0.38	0.41	0.43	0.47	0.66	0.72	1.23	1.32	1.13	(-) 8.13
6	Other receipts	58.49	58.25	46.00	36.59	52.57	35.81	50.73	46.90	57.13	58.64	(+) 25.03
Total		**1,310.00**	**1,192.59**	**1,360.00**	**1,300.36**	**1,460.00**	**1,137.75**	**1,370.00**	**1,245.37**	**1,400.00**	**1,373.73**	

(Source : Finance Accounts of the respective years)

3.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2018 under the principal heads of revenue amounted to ₹ 968 crore, of which ₹ 306.48 crore were outstanding for more than five years, as detailed in **Table 3.4**.

Table 3.4 : Arrears of revenue

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
1	Agriculture	0.32	0.32	Arrears due from Puducherry Agro Services and Industrial Corporation Limited (PASIC) and local bodies towards rent, cost of seeds and other services.
2	Commercial Taxes	291.87	180.75	Arrears related to collection of tax under PGST/CST and VAT Acts and major portion was covered under Court cases.
3	Co-operative	0.29	0.01	Arrears related to societies, which were dormant/under liquidation.
4	Electricity	461.15	103.18	Arrears were due to non-payment of electricity charges.
5	Excise	52.14	11.85	Arrears were mainly due to non- payment of *kist* by the lessees of arrack and toddy shops.
6	Fisheries and Fishermen Welfare	0.03	0.03	Arrears of lease amount on fish farm at Coringa River, Yanam.
7	Government Automobile Workshop	1.15	0.62	Arrears were due from Government departments towards sale of petrol, oil and lubricants and work bills.
8	Hindu Religious Institutions and Wakf Board	0.74	0.43	Arrears were due to shortfall in collection of dues from temples.
9	Industries and Commerce	0.10	0.10	Arrears related to rent due from defunct industrial units.
10	Information and Publicity	0.12	0.12	Arrears related to rental dues from Government guest house and canteen.
11	Judicial	0.07	0.04	Arrears in payment of fines and pendency of appeals in Courts.
12	Local Administration	136.00	0.00	Arrears related to due in property tax, rent, entertainment tax, water charges and professional tax.
13	Public Works Department	23.17	8.82	Arrears related to licence fee for Government quarters and water tax.
14	Stationery and Printing	0.68	0.15	Arrears related to non-recovery of dues from Government departments.
15	Tourism	0.16	0.05	Arrears were mainly due from Guests and Government officials towards room rent.
16	Town and Country Planning	0.01	0.01	Arrears related to final cost of plots due from the allottees of various housing schemes.
Total		**968.00**	**306.48**	

(Source : Details furnished by respective Departments)

Adi-Dravidar Welfare Department, District Rural Development Agency, Revenue and Disaster Management Department and Transport Department did not furnish (January 2019) the details of arrears of revenue.

3.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off during the year and number of cases pending for finalisation at the end of the year, as furnished by the Commercial Taxes Department (CTD), in respect of Value Added Tax, are shown in **Table 3.5**.

Table 3.5 : Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2017-18	Total assessments due	Cases disposed of during 2017-18	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	(2)	(3)	(4) = (2)+(3)	(5)	(6)=(4)-(5)	(7)
VAT Scrutiny Assessment	21,792	4,448	26,240	2,215	24,025	9.22

(Source : Details furnished by respective Department)

As the percentage of disposal was very low, the Department should take adequate steps for speedy finalisation of cases, which were selected for detailed scrutiny. The Commissioner replied (January 2019) that the pending assessments would be completed within a period of two years.

3.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by CTD, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 3.6**.

Table 3.6 : Evasion of Tax

Head of revenue	Cases pending as on 31 March 2017	Cases detected during 2017-18	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc., raised		Number of cases pending for finalisation on 31 March 2018
				Number of cases	Amount of demand (₹ in lakh)	
Sales Tax/VAT	408	12	420	30	45.74	390

(Source : Details furnished by respective Department)

It would be seen from the above table that finalisation of cases is very low when compared to the total pendency. The Department may institute appropriate measures for finalisation of pending cases, so as to ensure early realisation of revenue.

3.5 Response of the Departments/Government towards audit

Accountant General (Economic and Revenue Sector 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 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 Accountant General within one month from the dates of issue of the IRs. Serious irregularities are also brought to the notice of the Heads of Departments by the office of the Accountant General.

Inspection Reports issued upto 31 December 2017 disclosed that 772 paragraphs involving ₹ 253.76 crore relating to 204 IRs remained outstanding at the end of June 2018, along with the corresponding figures for the preceding two years, as mentioned in **Table 3.7**.

Table 3.7 : Details of pending IRs

Inspection reports	June 2016	June 2017	June 2018
Number of outstanding IRs	209	214	204
Number of outstanding audit observations	785	940	772
Amount involved (₹ in crore)	270.46	307.86	253.76

(Source: As per data maintained in the Office of the AG (E&RSA), Tamil Nadu)

3.5.1 Department-wise details of IRs and audit observations outstanding as on 30 June 2018 and the amounts involved are mentioned in **Table 3.8**.

Table 3.8 : Department-wise details of IRs

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	44	273	104.20
2	Stamp Duty and Registration Fee	74	217	5.81
3	Taxes on Vehicles	48	193	4.34
4	State Excise	38	89	139.41
Total		**204**	**772**	**253.76**

(Source: As per data maintained in the Office of the AG (E&RSA), Tamil Nadu)

3.5.2 Non-production of records to audit for scrutiny

The programme of local audit of commercial tax offices is prepared sufficiently in advance and intimated to the Department one month before the commencement of local audit to enable them to keep relevant records ready for audit scrutiny.

During 2017-18, 230 sales tax assessment records relating to three offices were not made available for audit.

The matter regarding non-production of records in each office is included in IRs of the respective offices. The same was also brought to the notice of the Secretary, Commercial Taxes Department in January 2019. The reply of the Government was awaited (August 2019).

The delay in production of records for audit would render audit scrutiny ineffective, as rectification of under-assessments, if any, might become time barred by the time these records are produced to audit.

3.5.3 Response of the Departments to draft Audit Paragraphs

Five draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2018 was forwarded to the Secretaries of Revenue and Finance Departments between July and November 2018 through demi-official letters. The Secretary of the Revenue Department did not send reply to two draft paragraphs (January 2019). The paragraphs have been included in the Report without the response of the Secretary of the Department concerned.

3.5.4 Follow-up on Audit Reports

The internal working system of the Public Accounts Committee, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Twenty one paragraphs included in the Revenue Chapter of the Reports of the Comptroller and Auditor General of India relating to the Government of Union Territory of Puducherry for the years ended 31 March 2011 to 31 March 2017 were placed before the Legislative Assembly of UT between July 2012 and July 2018. The action taken explanatory notes from the concerned Departments in respect of nine paragraphs were received belatedly with average delay of more than 16 months, while in respect of 12 paragraphs included in the Audit Reports for the year ended 31 March 2013 to 31 March 2017, explanatory notes were not received.

Eighteen paragraphs included in the Audit Reports of the Comptroller and Auditor General of India for the years 2010-11 to 2015-16 are yet to be discussed by PAC (January 2019), while action taken notes in respect of 50 recommendations pertaining to paras discussed by PAC were awaited from the Departments concerned.

3.6 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in IRs/Audit Reports by the Departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department has been evaluated and included in this Audit Report.

The succeeding paragraphs 3.6.1 to 3.6.3 discuss the performance of the Excise Department under revenue head ‘0039’ and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2008-09 to 2017-18.

3.6.1 Position of Inspection Reports

The summarised position of IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018 are tabulated in **Table 3.9**.

Table 3.9 : Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Additions			Total			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2008-09	27	58	6.07	5	6	0.21	32	64	6.28	4	7	0.25	28	57	6.03
2009-10	28	57	6.03	2	3	0.16	30	60	6.19	6	8	0.21	24	52	5.98
2010-11	24	52	5.98	1	2	0.09	25	54	6.07	1	8	0.00	24	46	6.07
2011-12	24	46	6.07	7	21	132.78	31	67	138.85	10	20	3.27	21	47	135.58
2012-13	21	47	135.58	6	11	0.41	27	58	135.99	1	4	0.56	26	54	135.43
2013-14	26	54	135.43	8	23	0.72	34	77	136.15	0	3	0.02	34	74	136.13
2014-15	34	74	136.13	0	0	0.00	34	74	136.13	1	3	0.02	33	71	136.11
2015-16	33	71	136.11	3	10	0.82	36	81	136.93	0	0	0.00	36	81	136.93
2016-17	36	81	136.93	7	14	2.48	43	95	139.41	2	6	0.49	41	89	138.92
2017-18	41	89	138.92	6	16	0.94	47	105	139.86	5	11	0.43	42	94	139.43

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

As against 27 IRs involving 58 paragraphs, which were pending at the beginning of 2008-09, the number at the end of 2017-18 had increased to

42 IRs involving 94 paragraphs. This indicated that response to the local audit reports was poor and adequate steps needed to be taken by the Department to clear the outstanding IRs and paragraphs.

3.6.2 Recovery of accepted cases

During the last 10 years, three draft paragraphs and two Performance Audits involving ₹ 106.30 crore were included in the Revenue Receipts Chapter of the Report of the Comptroller and Auditor General of India, Government of the Union Territory of Puducherry. In respect of one case involving money value of ₹ 35.48 crore, the Government amended the provision retrospectively with effect from March 2007. Further, the Department also accepted audit observations involving ₹ 4.94 crore and recovered ₹ 1.92 crore.

3.6.3 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audits are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These reviews are also discussed in Exit Conference. The Department's/Government's views are considered while finalising the reviews for the Audit Reports.

Two Performance Audits, *viz*., "Receipts from State Excise" and "Functioning of State Excise Department of the UT of Puducherry" were included in the Reports of the Comptroller and Auditor General of India for the year ended 31 March 2009 and 31 March 2015 respectively. The recommendations contained therein, *viz.*, incorporating provisions in the Act for levy of penalty for non-lifting of minimum guaranteed quantity of arrack and for collection of security deposit equal to twelve months' *kist*, framing a suitable provision in the Act for levy of interest on belated payment of excise dues and fixing a time limit for periodical revision of the licence fee in the Act, were accepted by the Government. However, necessary amendments to the Pondicherry Excise Act and Rules were awaited (January 2019).

3.7 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations, nature/volume of transactions, etc. The annual audit plan is prepared on the basis of risk analysis which, *inter-alia*, includes statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years, etc.

During the year 2017-18, the audit universe comprised 33 auditable units; out of which, 16 units were planned and audited during the year 2017-18, *i.e.,* 48.48 *per cent* of the total auditable units.

3.8 Results of audit

Test check of the records of sales tax/value added tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2017-18 revealed under-assessment/short levy/loss of revenue amounting to ₹ 32.76 crore in 67 cases. During the course of the year, the Department accepted under-assessments and other deficiencies in 12 cases involving ₹ 37.99 lakh and recovered a sum of ₹ 20.99 lakh in 11 cases. Out of this, two cases involving ₹ 0.23 lakh were pointed out in 2017-18 and the rest in earlier years.

3.9 Coverage of this Chapter

This Chapter contains a thematic audit on "Transition to GST in Puducherry" and two draft paragraphs one each in Commercial Taxes and Registration departments involving money value of ₹ 27.95 crore. The Department accepted audit observations involving ₹ 1.34 crore. After the issue of one draft paragraph, the Department collected an amount of ₹ 15.38 lakh.

COMMERCIAL TAXES DEPARTMENT

3.10 Audit of "Transition to GST in Puducherry"

3.10.1 Introduction

The Goods and Services Tax (GST), subsuming several central and state levies came into effect on 1 July 2017. GST is an indirect tax (or consumption tax) levied on the supply of goods and services. The GST system is a federal tax structure system, consisting of two components, *viz.*, Central GST (CGST) and State GST (SGST), with both the Centre and States empowered to levy tax simultaneously on every transaction of supply of goods and services except exempted goods and services and goods, which are outside the purview of GST. Accordingly, Central Goods and Services Tax Act, 2017 (CGST Act) and Puducherry Goods and Services Tax Act, 2017 (PGST Act) were enacted. For successful implementation of any new tax regime, adequate preparedness and transition provisions are a pre requisite. This is required to instill confidence among the tax payers about the new tax regime and to ensure that administration of tax and ease of doing business is not affected adversely.

The transitional provisions relating to migration of existing taxpayers and transitional arrangements for input tax credit are enumerated in Chapter XX of the CGST and PGST Acts. The said Acts provide that on and from the appointed day, every person registered under any of the existing laws and having a valid Permanent Account Number (PAN) shall be issued a certificate of registration on provisional basis subject to such conditions as may be prescribed, which unless replaced by a final certificate of registration, shall be liable to be cancelled, if the prescribed conditions are not complied with. The said Acts also entitle the registered dealers to carry forward the amount of credit available under the existing Acts, by submitting a declaration in FORM GST TRAN-1 and subject to the fulfilment of conditions prescribed for carry forward of such credit.

In the Union Territory of Puducherry (UT), GST is administered by the Commercial Taxes (CT) Department. The Commissioner of State Taxes, is the head of the Department and is assisted by Joint Commissioner of State Taxes and Deputy Commissioners of State Taxes, who exercise administrative control. The department has four divisional offices in Puducherry and one each in the outlying regions of Karaikal, Mahe and Yanam. The monitoring and control at the Government level is exercised by the Commissioner-cum-Secretary to Government (Finance), Puducherry.

The GST Council issued guidelines in September 2017 for division of tax base between the Centre and States to ensure single interface under GST. Accordingly, out of 14,063 taxpayers registered in the UT of Puducherry, 2,392 taxpayers were assigned to the Centre and the remaining 11,671 taxpayers were brought under the jurisdiction of the UT.

Audit was undertaken to ascertain whether the Department ensured migration of all existing taxpayers to the GST regime and correctness of credit carried forward by the dealers in FORM TRAN-1. For this process, the legacy data of Puducherry Value Added Tax (PVAT) was obtained from the CT Department and the details of registered dealers under PVAT Act as contained in VAT assessee master was compared with the GST registration data to verify the process of migration of tax payers. The data relating to TRAN-1 returns submitted by the registered dealers for claiming transitional credit, obtained from the BOWEB portal of the CT Department forms the basis of verification of carry forward of credit by the dealers. The amount of SGST credit claimed by the dealers in TRAN-1 returns was cross verified with the closing balance of input tax credit carried forward by the dealers in the monthly return of June 2017 submitted under the PVAT Act. The details regarding filing of returns and the amount of CENVAT credit carried forward by the dealers in the return relating to the period ending with the day immediately preceding the appointed day was obtained from the Central Excise and Service Tax Department through the Data sharing policy of the Central Board of Indirect

Taxes and Customs (CBIC) to verify the correctness of the CGST credit claimed by the dealers in the TRAN-1 returns.

An Entry Conference was held with the Department in 30 May 2018 wherein the objective, scope and methodology of audit were explained. The draft report was forwarded to the Government in November 2018.

The information furnished by the CT Department indicated that in the UT of Puducherry, 1,139 dealers had filed TRAN-1 returns, claiming SGST credit of ₹ 36.81 crore and CGST credit of ₹ 332.22 crore. Out of the above, the credit claimed by dealers falling under the jurisdiction of CT Department of Puducherry in 819 TRAN-1 returns was ₹ 29.11 crore under SGST and ₹ 158.31 crore under CGST; the correctness of which was verified in audit.

The report was discussed with the Commissioner of State Taxes in the Exit Conference held on 04 January 2019. The views expressed at the Exit Conference have been considered and duly incorporated in relevant paragraphs of the report.

Audit Findings

3.10.2 Migration of Taxpayers

Section 139 of PGST Act, provides that on and from the appointed day, every person registered under any of the existing laws and having a valid PAN shall be issued a certificate of registration on provisional basis, subject to such conditions as may be prescribed, which unless replaced by a final certificate of registration, shall be liable to be cancelled, if the conditions so prescribed are not complied with. As per Section 22 of the Act *ibid*, every supplier making a taxable supply of goods or services or both in the State shall be liable to be registered under this Act, if his aggregate turnover in a financial year exceeds ₹ 20 lakh. As per the Section 24 of the Act *ibid*, every casual taxable person making taxable supply is required to be registered under this Act.

The process of migration started in the UT of Puducherry from November 2016 and accordingly the State data of active dealers was sent to Goods and Services Tax Network (GSTN) in batches. The username ID and password provided by GSTN to the Department was in turn intimated to the dealers through their registered mobile number. The dealers were, then, required to login into the GST common portal, complete the enrolment process; upon which the taxpayer would get a provisional certificate of registration, which will have the Goods and Services Taxpayers Identification Number (GSTIN). Upon furnishing of further details/particulars, the dealer would be granted final certificate of registration and thereby completing the migration process.

An analysis of data dump obtained (May 2018) from the CT Department of Puducherry with the details of existing dealers furnished (July 2018) by the Department indicated that 16,622 dealers were due to be migrated to GST regime.

Results of audit checks to ensure due migration of all existing dealers are mentioned below:

- Out of the 16,622 dealers existing under VAT regime, 13,247 dealers had been migrated to GST. Out of the remaining 3,375 dealers, reasons for non-migration of 3,372 dealers includes cancellation of Registration Certificates, stoppage of business, turnover of the dealers being below the threshold limit of ₹ 20 lakh, etc. During Exit Conference, the Department stated that migration in respect of the remaining three dealers was kept in abeyance due to pendency of legal process. Further report in this regard is awaited.
- Registration status of 246 dealers, whose RCs under the existing law were cancelled after the appointed date was continued to be declared under provisional registration in the GST website. During Exit Conference, Department stated that the issue would be taken up with the GSTN for removal of these inactive dealers from the portal.

3.10.3 Verification of transitional credit

The due date for filing of TRAN-1 form by the dealers for availing transitional credit was 31 December 2017. The details of TRAN-1 filed by the dealers were made available to the Department by GSTN in March 2018. A detailed check list was issued to all the assessing officers for verification of TRAN-1. Despite the availability of TRAN-1 details and issue of guidelines for verification of TRAN-1, Audit noticed that as of September 2018, only 55 TRAN-1 cases were stated to have been verified by the Department. This indicates the absence of proper monitoring system to ensure due adherence by the assessing officers, of the instructions regarding verification of transitional credit claimed by the dealers. The absence of a proper monitoring system resulted in incorrect or excess claim of transitional credit by the dealers remaining undetected by the Department. These cases are illustrated in the succeeding paragraphs.

3.10.3.1 Arrangement for verification of TRAN-1

In the UT of Puducherry**,** 1,139 dealers had filed TRAN-1 returns, claiming SGST credit of ₹ 36.81 crore and CGST credit of ₹ 332.22 crore. Out of the above, the credit claimed by dealers falling under the jurisdiction of CT Department of Puducherry in 819 TRAN-1 returns was ₹ 29.11 crore under SGST and ₹ 158.31 crore under CGST.

To an audit query regarding the methodology for verification of TRAN-1, the Commissioner (ST), Puducherry stated that SGST credit in respect of all the dealers, irrespective of the jurisdiction would be verified by the CT Department of Puducherry, and CGST credit of all the dealers would be verified by the Centre as legacy data of the dealers would be available with the erstwhile departments, *viz*., Central Excise and Commercial Tax.

The above arrangement for verification of credits was not based on any legal backing. Any Revenue Act for the purposes of administration and collection, should have a well-defined jurisdiction. The CT Department of Puducherry did not have authority for assumption of jurisdiction of a dealer, who had been allotted to the Centre. Further, since many dealers had claimed both SGST and CGST credits, in such cases, the issue of notice, issue of summons, calling for information etc. would be done by both the officers for the same TRAN-1, which would definitely end up in many legal tangles, if the registered person questions the jurisdiction of the officers.

As per the provisions of Section 168 of the PGST Act, the Commissioner has been given powers to give instructions to the officers in his jurisdiction to follow a system for uniformity in implementation of the Act within the department. But no powers had been provided in the Statute to either transfer or assume jurisdiction of registered persons allotted to the Centre.

During Exit Conference, the Commissioner replied (January 2019) that the data in respect of CGST credit for dealers under the jurisdiction of the State would be obtained from the Commissioner (Central Taxes) within four months and the verification would be taken up. Further reply was awaited (August 2019).

3.10.3.2 Incorrect carry forward of CGST credit

As per the provisions of Section 140(1) of the CGST Act, a registered person, other than a person opting to pay tax under composition levy, shall be entitled to take, in his electronic credit ledger, the amount of CENVAT credit carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed. Such amount of credit was required to be disclosed in Table 5(a) of Form TRAN-1. The claim of transitional credit was subject to the condition that the dealer had furnished all the returns required under the existing law for the period of six months immediately preceding the appointed date.

Audit cross verified the amount of transitional CENVAT credit claimed by the dealers in Form GST TRAN-1 with the carry forward credit details of the dealers obtained from the Central Excise and Service Department. In cases, where the dealers had not mentioned the registration number under the existing Acts in GST TRAN-1, the same was ascertained on the basis of PAN obtained from the GST registration number. Such cross verification revealed the following:

- Sixty eight dealers of five[1] divisions had claimed credit of ₹ 17.99 crore in the GST TRAN-1 returns filed by them. The credit available to them under the existing Act was, however, ₹ 13.28 crore. Thus, there was excess claim of CGST credit of ₹ 4.71 crore by the dealers.
- Five dealers of Puducherry Goods Division I and Puducherry Goods Division III, who had not filed all the returns required under the existing law for the period of six months immediately preceding the appointed date, had however, incorrectly claimed CGST credit of ₹ 91.93 lakh in GST TRAN-1 returns.

During the Exit Conference, the Commissioner replied (January 2019) that the Central Excise/Service Tax authorities would be addressed and action would be taken. Further reply was awaited (August 2019).

3.10.3.3 Incorrect carry forward of SGST credit

As per the provisions of Section 140 (1) of PGST Act, a registered person, other than a person opting to pay tax under composition levy, shall be entitled to take, in his electronic credit ledger, credit of the amount of VAT, if any, credit carried forward in the return relating to the period ending with the day immediately preceding the appointed day, furnished by him under the existing law in such manner as may be prescribed. Such amount of credit was required to be disclosed in Table 5(c) of Form TRAN-1.

Audit cross verified the amount of SGST claimed by the dealers in Form TRAN-1 with the amount of VAT credit carried forward by them in the return for the month of June 2017 filed by them under the PVAT Act. Such cross verification revealed the following:

- Fourteen dealers of four[2] divisions had claimed SGST credit of ₹ 1.22 crore in the return in Form TRAN-1 filed by them. The credit carried forward by them in the return for the month of June 2017 filed by them under the PVAT Act, was, however, ₹ 0.89 crore. Thus, there was excess claim of SGST credit of ₹ 33.07 lakh by the dealers.
- Two dealers of Puducherry Goods Division I and Puducherry Goods Division II, who had not filed returns regularly for all the six months preceding the appointed date under the PVAT Act, had, however incorrectly carried SGST credit of ₹ 1.03 lakh in the return in Form TRAN-1.

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1 Puducherry Goods Division I, Puducherry Goods Division II, Puducherry Goods Division III, Puducherry Service Division and Karaikal.

2 Puducherry Goods Division I, Puducherry Goods Division III, Puducherry Service Division and Karaikal.

During the Exit Conference, the Commissioner replied (January 2019) that in 12 cases notices had been issued. For the remaining cases, it was stated that the difference was attributable to VAT paid on electricity charges in three cases, and payment of advance tax in excess in the remaining case. The reply for the four cases was not acceptable since the provisions of the Section 140 of the CGST/SGST Act did not permit carry forward of credit other than the credits that had been explicitly provided. Further reply was awaited (August 2019).

3.10.3.4 Incorrect carry forward of credit relating to interstate transactions not covered by declaration forms

As per the second proviso to Section 140(1) of the PGST Act, so much of credit as is attributable to interstate transactions, which are not covered by declaration forms shall not be eligible to be credited to the electronic credit ledger. For this purpose, the dealers were required to provide details of statutory forms, *viz*., Form C in respect of interstate sales, Form F for branch/stock transfer of goods to outside State, Form H in respect of pre-export sales and Form I in respect of sale to Special Economic Zone outside the State for the period 1 April 2015 to 30 June 2017. The difference of tax payable on the turnover, which was not covered by declaration forms was required to be deducted from the balance of credit of VAT as per the return of June 2017 and the remaining credit was alone eligible to be carried forward to the electronic credit ledger.

The details of interstate transactions for the period 1 April 2015 to 30 June 2017 and the turnover, which was not covered by declaration forms were obtained from the database of CT Department. The same was cross verified with the details furnished in Form TRAN-1. Such verification revealed that out of 155 registered persons, who had claimed SGST credit of ₹ 22.57 crore, 77 dealers of five[3] divisions had not deducted the difference of tax payable on the turnover, which was not covered by declaration forms and had incorrectly carried forward SGST credit amounting to ₹ 19.24 crore.

The Commissioner replied during Exit Conference (January 2019) that completion of assessments was an ongoing process and after the completion of the assessment, action would be taken. Further reply was awaited (August 2019).

3.10.3.5 Incorrect carry forward of credit relating to capital goods

Section 140 (2) of the PGST Act provides that a registered person shall be entitled to take, in his electronic credit ledger, credit of the unavailed input tax credit in respect of capital goods, not carried forward in a return, furnished

[3] Puducherry Goods Division I, Puducherry Goods Division II, Puducherry Goods Division III, Yanam and Karaikal.

under the existing law by him, for the period ending with the day immediately preceding the appointed day in such manner as may be prescribed.

Explanation under the Section provides that the expression "unavailed input tax credit" means the amount that remains after subtracting the amount of input tax credit already availed in respect of capital goods by the taxable person under the existing law from the aggregate amount of input tax credit to which the said person was entitled in respect of the said capital goods under the existing law.

As per the provisions of Section 16(1) (i) of the PVAT Act, input tax credit for capital goods shall be in three years by equated monthly instalments commencing from the month following the commencement of commercial production or sale of taxable goods.

Scrutiny of TRAN-1 returns revealed that 20 dealers had claimed SGST credit of ₹ 24.70 lakh in respect of capital goods. Audit scrutiny of 36 monthly returns filed by the dealers under the PVAT Act along with Form GST TRAN-1 submitted by them for claim of transitional credit revealed that nine dealers of Puducherry III division, who did not claim any credit relating to capital goods under the PVAT Act, had, however claimed SGST credit of ₹ 17.56 lakh in Form TRAN-1. As the PGST Act only provided for carry forward of unavailed credit alone, the claim in respect of capital goods, which was not preferred under the PVAT Act is not in order.

During the Exit Conference, it was replied (January 2019) that, in three cases, notices had been issued and in two cases, it was stated that electricity charges had been wrongly entered as capital goods credit. In the remaining four cases, where invoices were produced for verification, the claims were found to be ineligible. Further reply was awaited (August 2019).

3.10.3.6 Incorrect claim of credit by an agent

Section 142 (14) of the PGST Act provides that an agent shall be entitled to take credit of the tax paid on the goods which are available with the agent on the appointed date subject to the condition that both the principal and agent declare the stock of goods lying with such agent on the day immediately preceding the appointed day in such form and manner and within such time as may be prescribed.

Audit noticed that a registered dealer of Puducherry Goods Division II had claimed SGST credit of ₹ 3.98 lakh in Form TRAN-1 as an agent holding the goods on behalf of the principal. The principal, however, did not file Form GST TRAN-1. Hence, the claim of credit by the agent was not in order.

During Exit Conference, the Commissioner replied (January 2019) that the dealer had claimed R26 credit as the above credit and action would be taken to collect the differential amount. Further reply was awaited (August 2019).

3.10.3.7 Excess credit of claim in electronic credit ledger

During the process of filing of Form TRAN-1, the dealers were given the option to file revised Form TRAN-1 for rectifying the errors or wrong claims, which were made in the original Form filed by the dealers. The revised Form was required to be filed within the time limit prescribed for filing of Form TRAN-1.

Scrutiny of Form TRAN-1 filed by the dealers revealed that some dealers had filed revised TRAN-1. Audit noticed that subsequent to filing of revised TRAN-1, the amount of credit originally claimed by the dealer also got modified as per the revised TRAN-1 and both the Forms carried the same amount of SGST and CGST credits. Audit, however, noticed that while the increase in claim of credit as per revised TRAN-1 got credited to the electronic credit ledger of the dealers, in case where there was reduction in claim as per revised TRAN-1, the same was not affected and the electronic credit ledger continued to carry the claim as per original TRAN-1.

Eight dealers had filed revised TRAN-1 and the amount claimed as per revised TRAN-1 was ₹ 8.83 crore. The electronic credit ledger of the dealers, however, indicated transitional credit of ₹ 9.84 crore. This indicates that the excess claim as per original TRAN-1 was not reversed subsequent to filing of revised TRAN-1 by the dealers, resulting in excess credit of claim of ₹ 1.01 crore.

The Commissioner during Exit Conference stated (January 2019) that the issue would be taken up with GSTN. Further reply was awaited (August 2019).

3.10.4 Arrangement to handle legacy assessment

The number of assessments, which were pending finalisation as on 31 March 2017 was 21,792. The pendency position had further increased and 24,025 assessments were pending finalisation as on 31 March 2018. Even after switch over to GST in July 2017, huge number of assessments is pending finalisation; the earliest of which relate to assessment year 2008-09. However, no time limit was fixed for completion of pending assessments.

The Commissioner during Exit Conference replied (January 2019) that the pending assessments would be completed within a period of two years. Further reply is awaited (August 2019).

3.10.5 Conclusion

Audit of Transition to GST in Puducherry indicated that there was an urgent need for verification for correctness of transitional credit claimed by the dealers as any lapse or deficiency or continued inaction on the part of the

Department would result in utilisation of incorrect or excess claim of credit by the dealers, thereby having a serious impact on the revenue of the UT. The Department needed to devise a time bound action plan for finalisation of pending assessments relating to the PVAT Act, so that the assessing officers may devote their time exclusively for the successful implementation of the system of GST in the UT of Puducherry.

COMMERCIAL TAXES DEPARTMENT

VALUE ADDED TAX

3.11 Non-reversal of Input Tax Credit

Non-coverage of valid declarations in Form-C in respect of inter-state sales turnover resulted in non-reversal of input tax credit of ₹ 1.01 crore.

As per Rule 17(14) (iii) of the Puducherry Value Added Tax Rules, 2007, no Input Tax Credit (ITC) shall be claimed or allowed to a registered dealer on the tax paid on purchase of goods, if the sales in the course of interstate trade or commerce are not covered by valid declarations in Form C.

Scrutiny of records (February 2018) of Industrial Assessment Circle, Puducherry revealed that a dealer had claimed ITC of ₹ 1.25 crore on local purchase of goods valued at ₹ 40.73 crore during the year 2015-16. The total sales turnover of the dealer during the year was ₹ 39.72 crore comprising local sales turnover of ₹ 2.65 crore, interstate sales turnover of ₹ 31.76 crore (of which, ₹ 27.76 crore was not covered by valid declarations in Form C) and high sea sales turnover of ₹ 5.31 crore. Though the interstate sales turnover not covered by valid declarations in Form C warranted reversal of ITC, reversal was neither made by the dealer nor enforced by the Assessing Authority.

After this was referred to the Government in August 2018, Government accepted (August 2018) the audit observation and stated that the Assessing Authority had revised the assessment of the dealer in August 2018 and determined the total amount of ITC eligible for adjustment as ₹ 24.09 lakh by reversing ITC of ₹ 1.01 crore relating to the interstate sale of goods not covered by declaration in Form C. Report on collection of additional demand was awaited (August 2019).

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

3.12 Non-withdrawal of concession of stamp duty granted to women purchasers on violation of conditions

Non-withdrawal of concession granted to woman purchasers on violation of conditions resulted in non-collection of stamp duty of ₹ 49.99 lakh.

Government of Union Territory of Puducherry granted (December 2004) remission of 50 *per cent* of stamp duty to the women member(s) acquiring property through conveyance, exchange or gift. The remission was subject to the condition that the beneficiary shall not, within five years of registration of the instrument through which the concession was obtained, create / execute any instrument, including power of attorney, in favour of any male member except mortgage to Government/Nationalised Banks/ Registered Co-operative Societies. However, the women beneficiaries were permitted to alienate such property after remitting back the amount of concession availed by them.

Scrutiny (between October 2016 and March 2018) of 1,248 documents registered in the four[4] registration offices during the period July 2014 to January 2017 revealed that in 34 cases, the women purchasers, who availed the concession of 50 *per cent* of stamp duty on purchase of properties had subsequently executed deeds of alienation within five years of such purchase, as detailed below:

- In 30 cases, simple/equitable mortgage deeds were executed in favour of banks/entities other than Nationalised Banks/Registered Cooperative Societies.
- In four cases, instruments of power of attorney/conveyance/ settlement deeds in favour of male members were executed.

Since the conditions subject to which the concession of stamp duty was granted were not adhered to, the women beneficiaries were required to remit back the amount of concession availed by them. The registering officers, while registering the subsequent instruments, however, failed to ensure the same. This resulted in incorrect allowance of remission of stamp duty of ₹ 49.99 lakh.

This was pointed out to the Department between October 2016 and March 2018 and referred to Government in April and May 2018. The reply was awaited (August 2019).

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4 District Registry-Puducherry, Sub Registry-Oulgaret, Sub Registry-Villianur and Sub Registry-Yanam.

CHAPTER IV

GOVERNMENT COMMERCIAL

AND

TRADING ACTIVITIES

CHAPTER IV

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

4.1 Public Sector Undertakings of Government of Union Territory of Puducherry

4.1.1 Introduction

Union Territory of Puducherry established Public Sector Undertakings (PSUs) to carry out activities of commercial nature keeping in view the welfare of people and to occupy an important place in the UT economy. As on 31 March 2018, there were 13 PSUs in UT of Puducherry (including one non-functional[1] Government company) under the audit jurisdiction of the Comptroller and Auditor General of India.

The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this Chapter. The nature of PSUs and the position of accounts are indicated in **Table 4.1**.

Table 4.1: Nature of PSUs covered in the Chapter

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[2]				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2018
		Accounts during 2017-18	Accounts during 2016-17	Accounts during 2015-16	Total	
Working Government Companies[3]	12	9	11	7	27	12 (38)
Total working PSUs	12	9	11	7	27	12 (38)
Non-Functional Government Companies	1[4]	--	--	--	--	--
Total	**13**	**9**	**11**	**7**	**27**	**12 (38)**

[1] Those PSUs which have not been carrying on any business or operation and defined as 'inactive company' under Section 455 of the Companies Act, 2013, are termed as "non-functional Government company" in this Chapter.

[2] From October 2017 to September 2018.

[3] Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

[4] Pondicherry Electronics Limited is in the process of winding up since 2013-14 and its accounts are not anticipated.

The working PSUs registered a turnover of ₹ 387.18 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 1.20 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹ 32,215 crore). The working PSUs incurred an aggregate loss of ₹ 39.05 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed 4,195 employees.

There is one non-functional PSU as on 31 March 2018, *viz.,* Pondicherry Electronics Limited (PELECON) which is a subsidiary of Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC). PELECON is in the process of winding up and consequently PIPDIC, the Holding Company, has assumed the assets and liabilities of PELECON. The proceedings for getting the name of PELECON struck off from the Register of Companies under Fast Track Exit Scheme is under process.

4.1.2 Accountability framework

The procedure for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company[5] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred as Government Controlled other Companies.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

5 Ministry of Corporate Affairs (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

4.1.3 Statutory audit

The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act, 2013.

4.1.4 Submission of accounts by PSUs

4.1.4.1 Need for timely finalisation and submission

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the UT.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

4.1.4.2 Role of Government and Legislature

The UT Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the UT Government.

The UT Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of UT Government Companies are to be placed before the UT Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

4.1.5 Investment by the Government of Union Territory of Puducherry in Public Sector Undertakings (PSUs)

The Government of Union Territory of Puducherry (UT Government) has high financial stakes in the PSUs. This is of mainly three types:

- Share capital and loans - In addition to the share capital contribution, UT Government also provides financial assistance by way of loans to the PSUs from time to time.
- Special financial support - UT Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees - UT Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

The sector-wise summary of investments in the PSUs as on 31 March 2018 is given in **Table 4.2**.

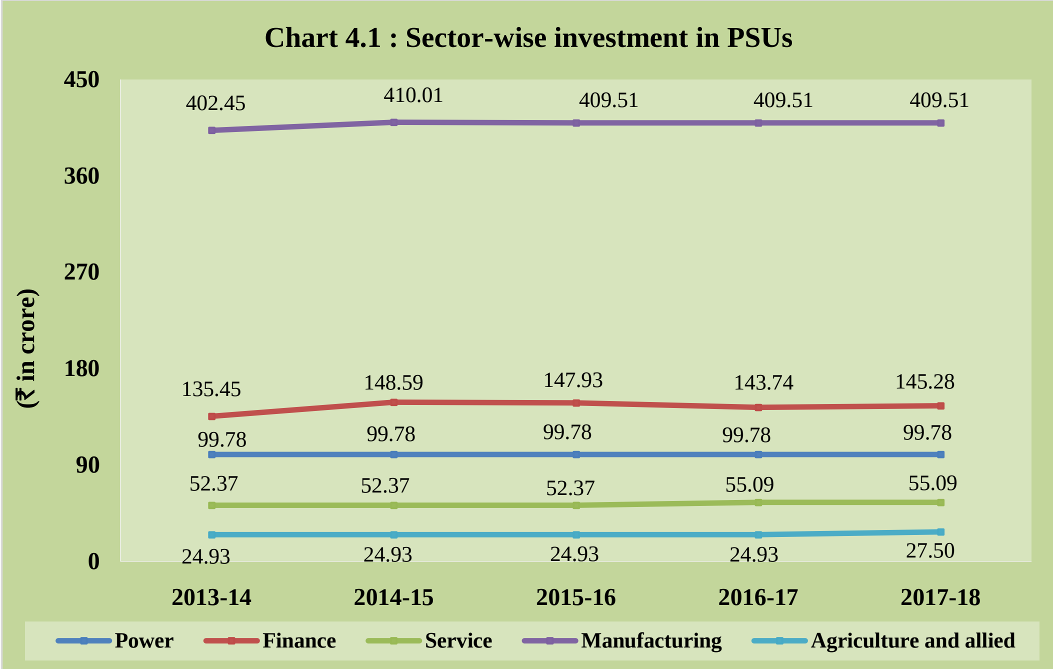
Table 4.2: Sector-wise investment in PSUs

Name of sector	Government Companies		Total	Investment (₹ in crore)		
	Working	Non-functioning		Equity	Long term loans	Total
Power	1	--	1	99.78	--	99.78
Finance	4	--	4	136.07	9.21	145.28
Service	2	--	2	52.37	2.72	55.09
Manufacturing	3	1	4	409.51	--	409.51
Agriculture and allied	2	--	2	24.93	2.57	27.50
Total	**12**	**1**	**13**	**722.66**	**14.50**	**737.16**

(Source: Compiled based on information received from PSUs)

The thrust of UT Government investment in PSUs was mainly in manufacturing sector which stood at ₹ 409.51 crore (55.55 *per cent*) at the end of March 2018. The investment in Power Sector which was ₹ 99.78 crore constituted 13.54 *per cent*.

The investment in various important sectors at the end of 31 March 2014 and 31 March 2018 is indicated in the **Chart 4.1**.



4.2 Functioning of Power Sector Undertaking

4.2.1 Introduction

There is only one Power Sector company in the Union Territory of Puducherry *viz.*, Puducherry Power Corporation Limited (PPCL). The Sector, apart from providing critical infrastructure required for development of the Union Territory's economy, also adds to the Gross State Domestic Product (GSDP). A ratio of Power Sector PSU's turnover to GSDP shows the extent of activities of the PSU in the Union Territory economy. The Compounded Annual Growth Rate (CAGR)[6] is a useful method to measure growth rate over multiple time periods. **Table 4.3** provides the details of turnover of Power Sector PSU and GSDP of UT Government for a period of five years ended March 2018.

Table 4.3: Details of turnover of Power Sector PSU *vis-à-vis* GSDP of UT Government

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	80.19	96.42	43.72	96.09	79.19
GSDP of UT Government	21,061	25,819	26,533	27,586	32,215
Percentage of Turnover to GSDP of UT Government	0.38	0.37	0.16	0.35	0.25
Percentage of growth of turnover	4.50	20.24	(-) 54.66	119.78	(-) 17.59

6 The Compounded Annual Growth Rate calculated as per the formula: ((Final Value/Beginning Value)^1/number of years)-1.

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Percentage of growth of GSDP	25.60	22.59	2.77	3.97	16.78
CAGR of Turnover					(-) 0.25
CAGR of GSDP					8.87

(Source: Turnover reported in the latest finalised accounts of working PSU and GSDP figures as per the Report of the CAG on Union Territory Finances for the respective years)

The turnover of Power Sector Undertaking was fluctuating over the five year period. It increased from ₹ 80.19 crore in 2013-14 to ₹ 96.42 crore in 2014-15 and drastically decreased to ₹ 43.72 crore in 2015-16 due to major repair works of Rotor, Stator, De-aerator structure *etc.*, at its power plant and increased to ₹ 96.09 crore in 2016-17, but declined to ₹ 79.19 crore in 2017-18. The annual growth rate during the above period showed a fluctuating trend *i.e.*, from 4.50 to 119.78 *per cent* with negative growth rate of 54.66 and 17.59 *per cent* during 2015-16 and 2017-18 respectively, whereas, the growth rate of GSDP was fluctuating between 25.60 and 2.77 *per cent*. The CAGR of GSDP during five years ended 2017-18 was 8.87 *per cent.* Against this, the turnover of Power Sector Undertaking recorded a negative at 0.25 *per cent* during the same period indicating the decrease in share of turnover of Power Sector PSU to GSDP over these five years. The share of turnover of the Power Sector Undertaking to the GSDP was 0.38 *per cent* in 2013-14, decreased to 0.16 in 2015-16 and subsequently increased to 0.25 *per cent* in 2017-18.

4.2.2 Formation of Power Sector Undertaking

Puducherry Power Corporation Limited (PPCL) is the only Power Sector Undertaking in the Union Territory of Puducherry. The Company was formed in March 1993 and is functioning under the Electricity Department of UT Government. The Company's plant at Karaikal was put into operation in January 2000 and is engaged in the generation of power from the plant having a capacity of 32.5 MW (22.9 MW from Gas Turbine and 9.6 MW from Steam Turbine). The entire power generated by the Company is supplied to the Electricity Department of UT Government based on the tariff rates fixed by Joint Electricity Regulatory Commission. The transmission and distribution activities are carried on by the Electricity Department, UT Government.

Audit of this Power Sector Undertaking is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of this Company is audited by the Statutory Auditors appointed by the CAG subject to supplementary audit by the CAG.

4.2.3 Investment in Power Sector Undertaking

The investment made in Power Sector as on 31 March 2018 is given in **Table 4.4**.

Table 4.4: Investment in Power Sector PSU

Activity	Number of PSU	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	1	99.78	Nil	99.78
Total	**1**	**99.78**	**Nil**	**99.78**

(Source: Details furnished by PSU)

As on 31 March 2018, the total investment was ₹ 99.78 crore comprising of equity only.

4.2.4 Budgetary Support to Power Sector Undertaking

During the last three years ended March 2018, UT Government has not provided any financial support to Power Sector Undertaking in the form of equity, loans and grants/subsidies through annual budget. UT Government has also not provided guarantee as PPCL has not availed any loan from financial institutions.

4.2.5 Reconciliation with Finance Accounts of UT Government

UT Government has invested in the Power Sector PSU only in the form of equity and has not advanced any loan or stood guarantee as at the end of March 2018.

4.2.6 Submission of accounts by Power Sector Undertaking

Timeliness in preparation of accounts by Power Sector Undertaking

Details of arrears in submission of accounts by Power Sector Undertaking as on 30th September of each financial year for the last five years ended 31 March 2018 are given in **Table 4.5**.

Table 4.5: Position relating to submission of accounts by Power Sector Undertaking

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of PSU	1	1	1	1	1
2	Number of accounts submitted during current year	1	1	1	1	1
3	Accounts finalised for the current year	Nil	Nil	Nil	Nil	Nil
4	Number of previous year accounts finalised during current year	1	1	1	1	1
5	Number of accounts in arrears	1	1	1	1	1
6	Extent of arrears	One year	One year	One year	one year	one year

(Source: Compiled based on the accounts of Power Sector PSU received during October to September of respective financial years)

4.2.7 Comments on Accounts of Power Sector Undertaking

The Power Sector Company forwarded its audited accounts for the year 2016-17 to the Accountant General during September 2018 which was selected for supplementary audit. The supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved though the Statutory Auditors have given unqualified certificate. The details of aggregate money value of the comments of the CAG on the accounts for the years 2015-18 are as given in **Table 4.6**.

Table 4.6: Impact of audit comments on Power Sector Undertaking

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	--	--	--	--	1	5.24
2	Increase in profit	--	--	--	--	--	--
3	Increase in loss	1	1.07	--	--	--	--
4	Decrease in loss	--	--	--	--	--	--
5	Non-disclosure of material facts	--	--	--	--	--	--
6	Errors of classification	--	--	--	--	--	--

(Source: Compiled from comments of CAG)

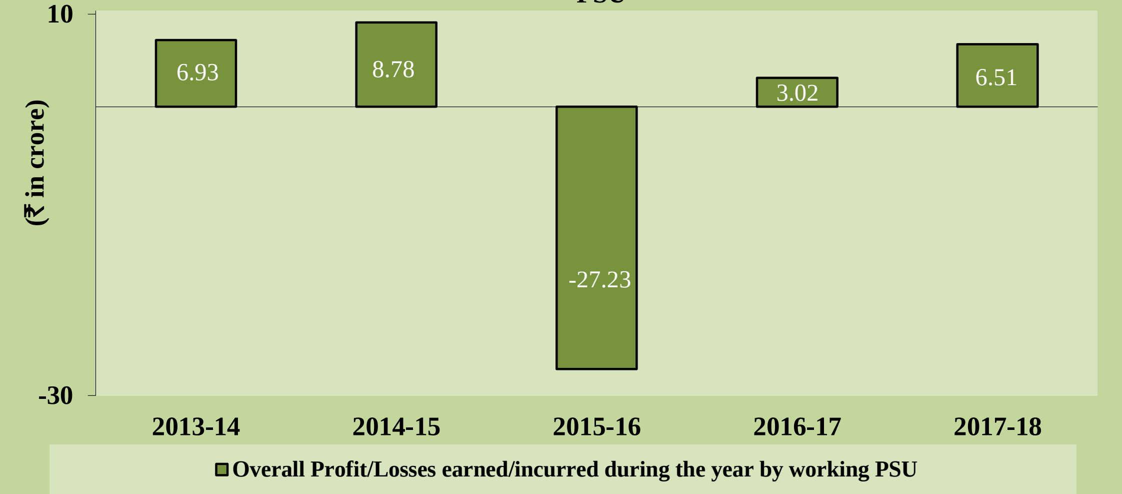
4.2.8 Performance of Power Sector Undertaking

The financial position and working results of the Power Sector Undertaking as per its latest finalised accounts as of September 2018 is detailed in **Appendix 4.1**. The Public Sector Undertaking is expected to yield reasonable return on investment made by Government in the Undertaking. The total investment made by UT Government in the Power Sector PSU as on 31 March 2018 was only in the form of equity which amounted to ₹ 99.78 crore. The investment has remained constant during 2013-18. The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to the total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' funds.

4.2.9 Return on Investment (ROI)

Return on investment is the percentage of profit or loss to the total investment. The overall position of profit/loss[7] earned/incurred by the Power Sector Undertaking during 2013-18 is depicted in **Chart 4.2**.

Chart 4.2 : Overall Profit/Losses earned/incurred during the year by working PSU



(Source: As per the latest accounts finalised during respective years)

The Power Sector PSU earned profit in four years amounting to ₹ 25.24 crore and incurred loss of ₹ 27.23 crore in one year due to major shut down of its power plant.

4.2.9.1 Return on the basis of historical cost of investment

The UT Government infused funds only in the form of equity and has not advanced loans/released grants/subsidies to the Power Sector PSU.

The Return on Investment from Power Sector PSU has been calculated on the investment made by the Government in the form of equity. The investment of the UT Government in the PSU has been arrived at by considering the equity (initial equity net of accumulated losses upto 2009-10). The dividend paid by the PSU has been deducted from the total investment in the respective years. The total equity funds infused by the UT Government in the PSU up to March 2010 stood at ₹ 99.78 crore. During 2010-18, UT Government has not infused fresh funds in the PSU. During 2010-18, UT Government had received a total dividend of ₹ 22.73 crore and after deducting the same, the net investment at the end of March 2018 stood at ₹ 77.05 crore.

The ROI worked out on investment on historical cost basis on the net earnings for the years 2013-18 are given in **Table 4.7**.

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[7] Figures are as per the latest finalised accounts during the respective years.

Table 4.7: Return on UT Government investment on historical cost basis

(₹ in crore)

Year	Funds infused by UT Government in the form of equity	Total Earnings Profit/loss	Return on Investment (in *per cent*)
(1)	**(2)**	**(3)**	**(4)=(3/2x100)**
2013-14	84.37	6.93	8.21
2014-15	80.86	8.78	10.86
2015-16	80.86	(-) 27.23	(-) 33.68
2016-17	80.86	3.02	3.73
2017-18	77.05	6.51	8.45

(Source: Latest finalised accounts of the respective years)

The return on investment of the PSU was positive in all the years during 2013-18 except in 2015-16 wherein the PSU reported loss. The ROI ranged between 3.73 (2016-17) and 10.86 (2014-15) *per cent* of the investment and ROI was negative during 2015-16 at 33.68 *per cent*. During 2015-16, the Power Sector PSU finalised its accounts for 2014-15 and reported a loss of ₹ 27.23 crore due to major repair expenditure incurred on the plant (₹ 15.47 crore) and payment of penalty (₹ 22.11 crore) to the Gas Authority of India Limited for non-lifting of minimum guaranteed gas quantity.

4.2.9.2 On the basis of present value of the investment

Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The present value of the Government investments has been computed to assess the rate of return on the present value of investments of UT Government in the PSU as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/year-wise funds infused by the UT Government in the UT PSU has been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Audit noticed that the PSU generated positive return on investments in all the years from 2010-11 except 2015-16. The details are furnished in **Table 4.8**.

The Present Value (PV) of the UT Government investment in Power Sector Undertaking was computed on the basis of following assumptions:

- The dividend paid by the PSU has been deducted from the total investment in the respective years.

➢ The average rate of interest on Government borrowings for the concerned financial year[8] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore as the minimum expected rate of return on investments made by the Government.

The consolidated position of the PV of the UT Government investment and the total earnings relating to the Power Sector Undertaking from 2010-11 to 31 March 2018 is indicated in **Table 4.8**.

Table 4.8: Year wise details of investment by the UT Government and PV of Government funds since inception to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the UT Government during the year	Interest free loan given by the UT Government during the year	Interest free loan converted as grant during the year	Dividend paid by the PSU	Total investment at the end of the year after adjusting dividend	Average rate of interest on Government borrowings (in *per cent*)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7) = (2+3+4-5-6)**	**(8)**	**(9) = (7+(7x8) / 100))**	**(10) = (9x8/ 100)**	**(11)**
Upto 2009-10	--	99.78	--	--	5.02	94.76	8.00	102.34	8.19	--
2010-11	102.34	--	--	--	4.44	97.90	7.81	105.55	8.24	11.09
2011-12	105.55	--	--	--	--	105.55	7.80	113.78	8.87	0.68
2012-13	113.78	--	--	--	3.18	110.60	8.00	119.45	9.56	7.95
2013-14	119.45	--	--	--	2.77	116.68	7.70	125.66	9.68	6.93
2014-15	125.66	--	--	--	3.51	122.15	7.90	131.80	10.41	8.78
2015-16	131.80	--	--	--	--	131.80	7.50	141.69	10.63	(-) 27.23
2016-17	141.69	--	--	--	--	141.69	7.20	151.89	10.94	3.02
2017-18	151.89	--	--	--	3.81	148.08	8.02	159.95	12.83	6.51
Total		**99.78**	**--**	**--**	**22.73**					

(Source: Details furnished by PSU)

As discussed in Paragraph 4.2.9.1, the total historical cost of funds infused by the UT Government in the Power Sector Undertaking stood at ₹ 77.05 crore. The PV of funds infused by the UT Government upto 31 March 2018, computed as per the assumptions stated above worked out to ₹ 159.95 crore. The comparative position of Return on Investment worked out on historical cost *vis-à-vis* PV during 2013-18 is given in **Table 4.9**.

8 The average rate of interest on Government borrowings was adopted from the Reports of the CAG of India on Union Territory Finances for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Table: 4.9: Return on UT Government Funds

(₹ in crore)

Year	Total earning	Historical cost of funds invested in the form of equity	Return on investment on historical cost (in *per cent*)	PV of the funds invested in the form of equity	Return on investment on the present value (*per cent*)
(1)	**(2)**	**(3)**	**(4) = (2)/(3) x 100**	**(5)**	**(6) = (2)/(5) x 100**
2013-14	6.93	84.37	8.21	125.66	5.51
2014-15	8.78	80.86	10.86	131.80	6.66
2015-16	(-) 27.23	80.86	(-) 33.68	141.69	*
2016-17	3.02	80.86	3.73	151.89	1.99
2017-18	6.51	77.05	8.45	159.95	4.07

* In view of the loss, rate of return was not calculated on PV of the investment.
(Source: As per the latest accounts finalised during respective years)

From the table above, it is evident that the percentage of return on investment under PV method was lesser than the return on investment calculated under historical cost method. The rate of return was positive during all the years excepting 2015-16 and ranged between 3.73 and 10.86 *per cent* on the historical cost of funds infused, whereas the rate of return on the PV of investment was lesser between 1.99 and 6.66 *per cent*. As the ROI was negative during 2015-16, the comparison was not made.

4.2.9.3 Net worth

Net worth means the sum total of paid capital plus free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. As per the latest finalised accounts as on 31 March 2018, the PSU had a net worth of ₹ 133.87 crore **(Appendix 4.1)**.

4.2.9.4 Dividend payout

The UT Government had not formulated any policy for payment of minimum dividend on the share capital contributed by it. The UT Government had invested ₹ 99.78 crore towards equity of the Power Sector PSU. Against this equity, the dividend paid by the PSU to the Government was ₹ 10.09 crore during 2013-18. Details of total equity infused, profit earned by Power Sector PSU and the dividend paid to the UT Government during 2013-18 are given in **Table 4.10**.

Table 4.10: Declaration of dividend by Power Sector PSU during 2013-18

(₹ in crore)

Year	Total number of PSU		Equity infused	Profit earned	Dividend paid	Dividend pay-out ratio (in *per cent*)
	Number of PSU	Equity amount				
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (6)/(3)x100
2013-14	1	99.78	--	6.93	2.77	2.78
2014-15	1	99.78	--	8.78	3.51	3.52
2015-16	1	99.78	--	(-)27.23	--	--
2016-17	1	99.78	--	3.02	--	--
2017-18	1	99.78	--	6.51	3.81	3.82

(Source: Latest finalised accounts of PSU)

During 2013-18, the dividend pay-out ratio on the total equity investments ranged from 2.78 to 3.82 *per cent*.

4.2.9.5 Return on Equity

Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' funds. It is expressed as a percentage and can be calculated for any company if both the net income and shareholders' funds are positive.

Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure. It reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative figures means that liabilities exceed the assets. ROE has been computed in respect of the Power Sector Undertaking where funds have been infused by the UT Government. The details of shareholders' funds and ROE relating to the PSU during 2013-18 are given in **Table 4.11**.

Table 4.11: ROE of the Power Sector Undertaking where funds infused by UT Government

(₹ in crore)

Year	Net income/Total earnings for the year	Shareholders' funds	ROE (in percentage)
2013-14	6.93	142.72	4.86
2014-15	8.78	145.53	6.03
2015-16	(-) 27.23	130.84	--
2016-17	3.02	131.80	2.29
2017-18	6.51	133.87	4.86

(Source: Latest finalised accounts of the respective years)

As can be seen from the above table, during the last five years ending 2017-18, the net income was positive excepting 2015-16 and the ROE was in the range of 2.29 to 6.03 *per cent* which indicated that the Company has managed its assets to create profit during the above period. During 2015-16, though the shareholders fund was positive, the net income was negative and hence, the ROE was not worked out.

4.2.9.6 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures the company's profitability and efficiency with which its capital is employed.

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[9]. The details of ROCE of the Power Sector Undertaking during the years from 2013-14 to 2017-18 are given in **Table 4.12**.

Table 4.12: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in *per cent*)
2013-14	10.48	142.72	7.34
2014-15	13.37	145.53	9.19
2015-16	(-) 41.56	130.84	--
2016-17	4.93	131.80	3.74
2017-18	10.51	133.87	7.85

(Source: Annual accounts finalised during the respective years and information received from the PSU)

The ROCE of Power Sector PSU was positive during 2013-14 and 2014-15 at 7.34 *per cent* and 9.19 *per cent* respectively. It turned negative during 2015-16 and again became positive during 2016-17 and 2017-18 at 3.74 *per cent* and 7.85 *per cent* respectively.

4.2.9.7 Analysis of Long Term Loans of the Companies

Analysis of the long term loans of the PSU of Power Sector was carried out to assess the ability of the companies to service the debt owed by the PSU to Government, banks and other financial institutions. This was assessed through Interest Coverage Ratio and Debt Turnover Ratio.

4.2.9.8 Interest Coverage Ratio

The Company did not have any liability towards payment of interest as it had not availed loans during 2013-18.

4.2.10 Debt-Turnover Ratio

The Power Sector PSU has not availed any loans during 2013-18.

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[9] Capital employed = Shareholders funds (after deducting accumulated losses) plus long term loans.

4.2.11 Follow up action on Audit Reports

The Report of the CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. In view of this, the Administrative Departments have to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature in the prescribed format without waiting for any questionnaire from the Public Accounts Committee (PAC). Details of explanatory notes pending from Energy Department, UT Government on the paras relating to Power Sector PSU are given in subsequent paragraphs:

4.2.11.1 Replies outstanding

Table 4.13 gives the status of receipt of explanatory notes in respect of the Audit Reports presented before the UT Legislature.

Table 4.13: Explanatory notes not received (as on 31 December 2018)

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2016-17	18.07.2018	Nil	01	Nil	01
Total		**Nil**	**01**	**Nil**	**01**

The explanatory notes pertaining to the above para in respect of Electricity Department, UT Government which was commented upon is yet to be received (December 2018).

4.2.11.2 Discussion of Audit Reports by PAC

The status of Performance Audits/paragraphs that appeared in Audit Reports of UT of Puducherry and discussed by PAC as on 31 December 2018 are given in **Table 4.14**.

Table 4.14: Reviews/Paras appeared in Audit Reports *vis-à-vis* discussed as on 31 December 2018

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraph Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2016-17	Nil	01	Nil	--
Total		**01**		**--**

4.2.11.3 Compliance to Reports of PAC

Action Taken Notes (ATNs) to the recommendations pertaining to one Report of the PAC for 2012-13 had not been received (December 2018) as indicated in **Table 4.15**.

Table 4.15: Compliance to PAC Reports

Year of the PAC Report	Total number of PAC Reports	Total number of recommendations in PAC Report	Number of recommendations where ATNs not received
2012-13	01	01	01
Total	**01**	**01**	**01**

The above Report of PAC contained recommendations in respect of paragraph pertaining to Electricity Department, UT Government, which appeared in the Report of CAG of India for the year 2008-09.

It is recommended that the Government may prescribe a time schedule and resource person in the PSU to ensure (a) sending replies to the Paragraphs, Explanatory Notes and ATNs on the recommendations of PAC as per the prescribed time schedule; (b) recovery of loss/outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations. The Government may establish a system to monitor compliance to the above.

4.3 Functioning of Public Sector Undertakings (other than Power Sector)

4.3.1 Introduction

There are 12 Public Sector Undertakings (PSUs) in the Union Territory of Puducherry (UT) as on 31 March 2018 which related to sectors other than Power Sector. These PSUs were incorporated during the period 1971 to 2005 and are all Government Companies. The above PSUs include one[10] non-functional company which is a subsidiary company owned by other Government Company.

The UT Government provides financial support to these PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 12 PSUs (other than Power Sector), UT Government invested funds in 11 PSUs and the equity of the subsidiary company was contributed by its holding company.

4.3.2 Contribution to the Economy of the Union Territory

A ratio of turnover of the PSUs to the GSDP shows the extent of activities of the PSUs in the UT economy. The CAGR is a useful method to measure growth rate over multiple time periods. The **Table 4.16** provides the details of turnover of PSUs (other than Power Sector) and GSDP of UT Government for a period of five years ended March 2018.

[10] Pondicherry Electronics Limited.

Table 4.16: Turnover of PSUs (Other than Power Sector) *vis-à-vis* GSDP of UT Government

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	298.67	304.84	318.89	270.54	307.99
GSDP of UT Government	21,061	25,819	26,533	27,586	32,215
Percentage of turnover to GSDP of UT Government	1.42	1.18	1.20	0.98	0.96
Percentage of growth of turnover	0.50	2.07	4.61	(-)15.16	13.84
Percentage of growth of GSDP	25.60	22.59	2.77	3.97	16.78
CAGR of turnover[11]					0.62
CAGR of GSDP					8.87

(Source: Turnover reported in the latest finalised accounts of working PSUs and GSDP figures as per the Report of the CAG on Union Territory Finances for the respective years upto 2017-18)

The aggregate turnover of these PSUs were in increasing trend from 2013-14 to 2015-16 but declined in 2016-17 and again increased in 2017-18. The percentage of growth rate of turnover showed an increasing trend from 0.50 in 2013-14 to 4.61 in 2015-16 but declined to (-)15.16 in 2016-17 and again increased to 13.84 in 2017-18. However, the percentage of growth rate of GSDP was in the decreasing trend from 25.60 in 2013-14 to 2.77 in 2015-16 and started increasing from thereon to 16.78 in 2017-18. The GSDP recorded a CAGR of 8.87 *per cent* during 2013-18 whereas during the same period, CAGR of the turnover of PSUs (other than Power Sector) recorded a very low at 0.62 *per cent*. This was evident from the wide fluctuation in the growth rate of turnover of PSUs as well as decrease in share of turnover of these PSUs to GSDP from 1.42 *per cent* in 2013-14 to 0.96 *per cent* in 2017-18.

4.3.3 Investment in PSUs (other than Power Sector)

There are some PSUs which are instrumental/nodal agency to the UT Government to provide certain services which the private sector may not be willing to extend due to various reasons, PSUs of such nature are classified as "Social Sector PSUs". Besides, the Government has also entered into certain business segments through some PSUs where it faces competition from private players, PSUs of such nature are classified as "Competitive Sector PSUs". In addition, there is one[12] PSU which was established by UT Government to perform certain activities which cannot be classified under the above two categories, this PSU has been dealt with in this report as "Others". Details of

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[11] The compounded annual growth rate calculated as per the formula: ((Final Value/Beginning Value)^1/number of years)-1.

[12] Puducherry Distilleries Limited.

investment made in 12 PSUs in the form of equity and long term loans upto March 2018 are detailed in **Appendix 4.2**.

The sector-wise summary of investment made in 12 PSUs as on 31 March 2018 are given in **Table 4.17**.

Table 4.17: Sector-wise investment in PSUs (other than Power Sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	4	33.42	11.78	45.20
Competitive Sector	7	581.01	2.72	583.73
Others	1	8.45	Nil	8.45
Total	**12**	**622.88**	**14.50**	**637.38**

(Source: Details furnished by PSUs)

As on 31 March 2018, the total investment (equity and long term loans) in 12 PSUs was ₹ 637.38 crore. The investment consisted of 97.73 *per cent* towards equity and 2.27 *per cent* in long term loans. The long term loans constituted ₹ 11.93 crore (82.28 *per cent*) advanced by the UT Government and the balance amount of ₹ 2.57 crore (17.72 *per cent*) represented the loan availed from Financial Institutions.

The investment has grown marginally by 3.61 *per cent* from ₹ 615.20 crore in 2013-14 to ₹ 637.38 crore in 2017-18. The increase was mainly due to loans availed by Social Sector PSUs.

During the year 2017-18, no disinvestment, restructuring or privatisation of PSUs of other than Power Sector was done by UT Government.

4.3.4 Budgetary Support to PSUs (other than Power Sector)

UT Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies and loans converted into equity during the year in respect of PSUs for the last three years ending March 2018 are given in **Table 4.18**.

Table 4.18: Budgetary support to PSUs (other than Power Sector) during 2015-18

(₹ in crore)

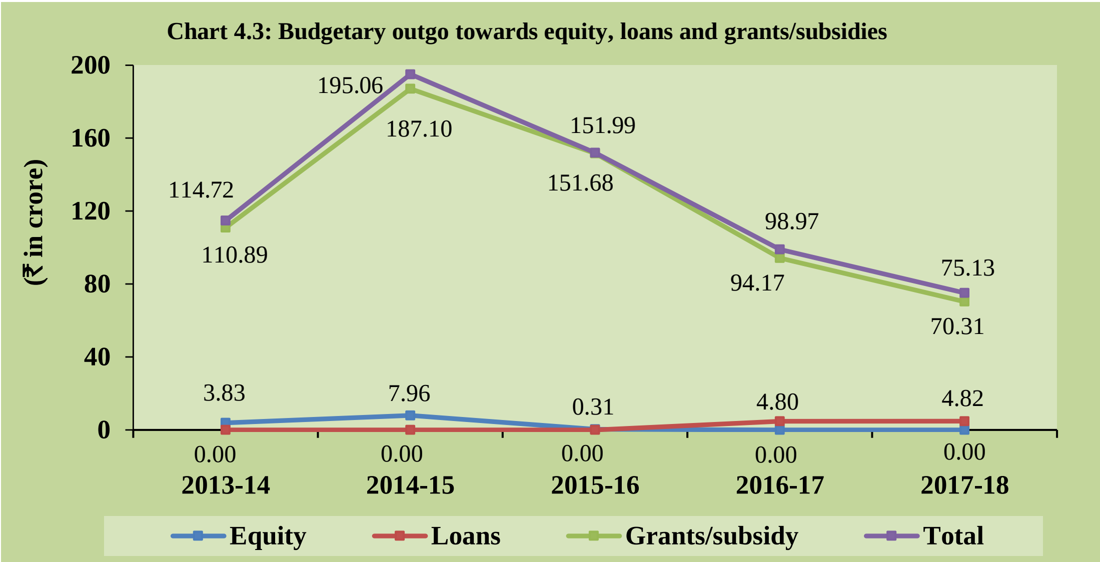
Sl. No.	Particulars[13]	2015-16		2016-17		2017-18	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
1	Equity Capital	1	0.31	Nil	Nil	Nil	Nil
2	Loans	Nil	Nil	2	4.80	2	4.82
3	Grants/Subsidy	7	151.68	8	94.17	8	70.31

[13] Amount represents outgo from Union Territory Budget only.

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
4	Total Outgo (1+2+3)	7	151.99	8	98.97	8	75.13
5	Loan repayment/ written off	1	12.98	Nil	Nil	Nil	Nil
6	Loans converted into equity	Nil	Nil	Nil	Nil	Nil	Nil
7	Guarantees issued	Nil	Nil	Nil	Nil	Nil	Nil
8	Guarantee Commitment	1	3.15	1	3.15	1	3.10

(Source: Compiled from the information furnished by PSUs for the respective years)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in **Chart 4.3**.



(Source: Information furnished by PSUs during the respective years)

The budgetary assistance received by these PSUs during the years 2013-14 to 2017-18 ranged between ₹ 114.72 crore and ₹ 75.13 crore. The budgetary assistance of ₹ 75.13 crore received during the year 2017-18 included ₹ 4.82 crore and ₹ 70.31 crore in the form of loans and grants/subsidy respectively. UT Government did not provide any equity assistance to these PSUs during 2017-18. The subsidy/grants given by UT Government was mainly for payment of salaries to staff and scheme related expenses to Social Sector PSUs (₹ 51.47 crore) during 2017-18.

Besides the budgetary support, UT Government also provides guarantee for PSUs to seek financial assistance from banks and financial institutions. The guarantee commitment given by UT Government outstanding as at the end of March 2018 was ₹ 3.10 crore in respect of one PSU[14].

[14] Puducherry Adi-Dravidar Development Corporation Limited.

4.3.5 Reconciliation with Finance Accounts of Government of Union Territory of Puducherry

The figures in respect of equity, loans and guarantees outstanding as per records of PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Union Territory of Puducherry. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard in respect of PSUs (other than Power Sector) as on 31 March 2018 is given in **Table 4.19**.

Table 4.19: Equity/loans/guarantees outstanding as per Finance Accounts of UT Government *vis-à-vis* records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per records of PSUs	Amount as per Finance Accounts	Number of PSUs involved	Net Difference
Equity	712.39	710.92	1	1.47
Loans	14.50	0.94	3	13.56
Guarantees	3.10	16.15	2	(-) 13.05

(Source: Information furnished by PSUs and Finance Accounts of UT Government)

Audit observed that the differences occurred in respect of equity and loans in one[15] PSU and three[16] PSUs respectively and guarantees in two[17] PSUs. Reconciliation of difference was pending from March 2007 in case of one PSU[18]. The Secretary to Government of UT of Puducherry, Finance Department was addressed (December 2018) and his attention was drawn to the need for reconciliation of figures in Finance Accounts and as furnished by the companies in their respective accounts. In spite of similar observations in the previous Audit Reports, the difference persists. The UT Government and PSUs should take concrete steps to reconcile the differences in a time bound manner.

4.3.6 Submission of accounts by PSUs (other than Power Sector)

As of 31 March 2018, there were 12 PSUs (other than Power Sector), *i.e.*, 11 working PSUs and one non-functional PSU under the audit purview of CAG. The status of timeline followed by the PSUs in preparation and submission of accounts to CAG are discussed below:

15 Puducherry Agro Products, Food and Civil Supplies Corporation Limited.

16 Puducherry Agro Products, Food and Civil Supplies Corporation Limited, Puducherry Corporation for the Development of Women and Differently Abled Persons Limited and Puducherry Road Transport Corporation Limited.

17 Puducherry Adi-Dravidar Development Corporation Limited and Puducherry Backward Classes and Minority Development Corporation Limited.

18 Puducherry Agro Products, Food and Civil Supplies Corporation Limited.

4.3.6.1 Timeliness in preparation of accounts by working PSUs

PSUs are required to submit their annual accounts every year on or before 30 September after close of the respective financial year. However, none of the 11 working PSUs had forwarded their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 and hence the accounts of all the PSUs were in arrears.

Details of arrears in submission of accounts by working PSUs (other than Power Sector) as on 30 September of the respective financial years are given in **Table 4.20**.

Table 4.20: Position relating to submission of accounts by the working PSUs (other than Power Sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of PSUs (other than Power Sector)	12*	11	11	11	11
2	Number of accounts submitted during current year	2	13	6	10	8
3	Number of working PSUs which finalised accounts for the current year	Nil	Nil	Nil	Nil	Nil
4	Number of previous year accounts finalised during current year	2	13	13	10	8
5	Number of working PSUs with arrears in accounts	12	11	11	11	11
6	Number of accounts in arrears	33	28	33	34	37
7	Extent of arrears	One to five years	One to five years	One to six years	One to seven years	One to eight years

* Since PELECON was a working company during 2013-14.

(Source: Compiled based on the receipt of accounts from PSUs during October to September of respective financial years)

Of these 11 working PSUs, eight PSUs had finalised their eight annual accounts pertaining to previous years during the period 01 October 2017 to 30 September 2018. Further, 37 annual accounts were in arrears which pertain to 11 PSUs for the years ranging from 2010-11 to 2017-18 as detailed in **Appendix 4.3**. The Administrative Departments have the responsibility to oversee the activities of these entities and ensure that the accounts are finalised and adopted by these PSUs in Annual General Meeting within the stipulated period. The concerned Departments were informed quarterly regarding the position of arrears in accounts.

Due to non-finalisation of accounts and their subsequent audit in these PSUs, it could not be ensured whether the investments and expenditure incurred was properly accounted for and the purpose for which the amount was invested was achieved or not. Investment of UT Government in these PSUs, therefore, remained outside the control of UT Legislature.

4.3.6.2 Timeliness in preparation of accounts by Non-functional PSUs

There is one non-functional PSU as on 31 March 2018, *viz.*, Pondicherry Electronics Limited (PELECON) which is a subsidiary of Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC). PELECON is in the process of winding up and consequently PIPDIC, the Holding Company, has assumed the assets and liabilities of PELECON. The proceedings for getting the name of PELECON struck off from the Register of Companies under Fast Track Exit Scheme is under process. Hence, the accounts of PELECON is not considered as due.

4.3.7 Comments on Accounts of PSUs (other than Power Sector)

Out of 11 working PSUs**,** eight working PSUs forwarded eight audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. These accounts were subjected to either scrutiny at office level or selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are given in **Table 4.21**.

Table 4.21: Impact of audit comments on Working Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	Nil	Nil	Nil	Nil	1	2.37
2	Increase in profit	Nil	Nil	1	0.76	Nil	Nil
3	Increase in loss	1	0.44	2	6.81	2	7.90
4	Decrease in loss	1	0.27	Nil	Nil	1	0.60
5	Non-disclosure of material facts	Nil	Nil	Nil	Nil	Nil	Nil
6	Errors of classification	Nil	Nil	Nil	Nil	2	0.24

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies)

During the year, the Statutory Auditors had given unqualified certificates for two accounts, qualified certificates for five accounts and adverse opinion for one account. The compliance of companies with the Accounting Standards remained poor, as there were four instances of non-compliance in three accounts during the year.

4.3.8 Impact of non-finalisation of accounts of PSUs (other than Power Sector)

As pointed in paragraph 4.3.6, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. Out of 11 PSUs which had not finalised their accounts upto 2017-18, UT Government had invested ₹ 6.12 crore in two PSUs in the form of equity and released a sum of ₹ 14.54 crore in the form of loans to three PSUs and ₹ 150.54 crore as grants to nine PSUs as detailed in **Appendix 4.4**. In view of the above state of arrears of accounts, the actual contribution of the PSUs to the GSDP of UT Government for the year 2017-18 could not be ascertained and their contribution to UT exchequer was also not reported to the UT Legislature.

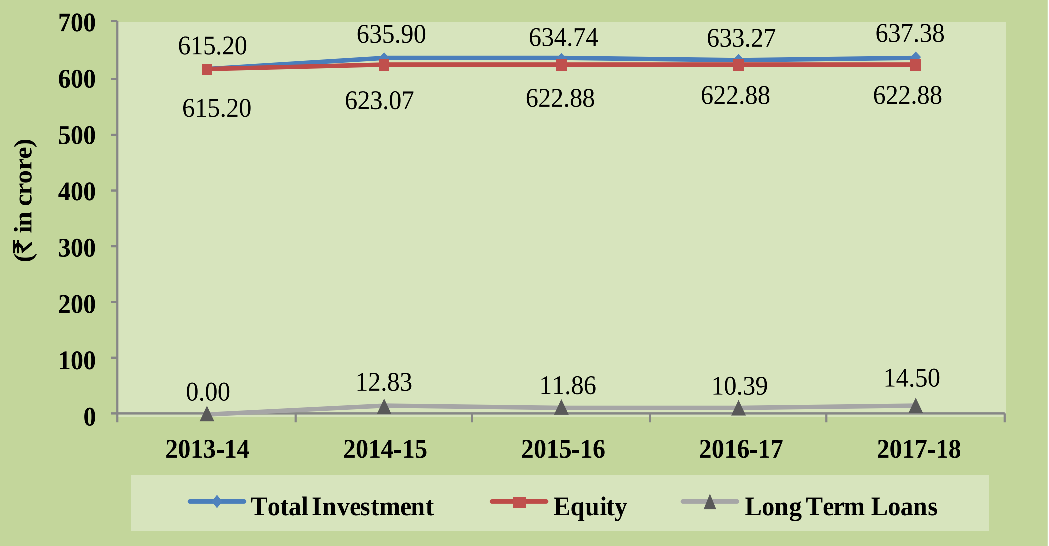
It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to clear the arrears in finalisation of accounts. The Government may also look into the constraints in preparation of accounts by the PSUs and take necessary steps to clear the arrears in accounts.

4.3.9 Performance of PSUs (other than Power Sector)

The financial position and working results of the 12 PSUs (working and non-functional) are detailed in **Appendix 4.1**, as per their latest finalised accounts as on 30 September 2018.

The PSUs are expected to yield reasonable ROI made by Government in the undertakings. The total investment of UT Government in PSUs (other than Power Sector) as on 31 March 2018 consisted ₹ 622.88 crore as equity and ₹ 14.50 crore as long term loans. The year wise status of total investment, equity and long term loans during the five years period 2013-18 is shown in the **Chart 4.4**.

Chart 4.4: Total investment in PSUs (other than Power Sector)



(Source: Data furnished by PSUs in respective years)

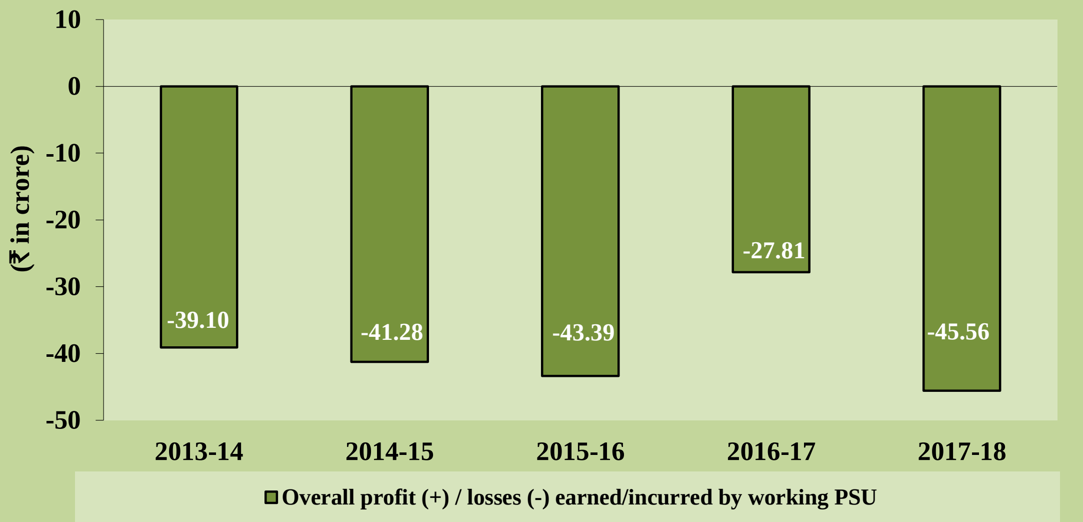
The investment has grown by 3.61 *per cent* from ₹ 615.20 crore in 2013-14 to ₹ 637.38 crore in 2017-18. The investment increased due to addition of ₹ 7.68 crore and ₹ 14.50 crore towards equity and long term loans respectively during 2013-18.

The profitability of a company is traditionally assessed through ROI, return on equity and return on capital employed. ROI measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to the total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on equity is a measure of performance calculated by dividing net profit after tax by shareholders' funds.

4.3.10 Return on Investment

The ROI is the percentage of profit or loss to the total investment. The overall position of profit/losses[19] earned/incurred by the 11 working PSUs (other than Power Sector) during 2013-14 to 2017-18 is depicted below in **Chart 4.5**.

Chart 4.5 : Overall profit (+) / losses (-) earned/incurred by working PSUs



(Source: As per the latest accounts finalised during respective years)

The 11 working PSUs incurred losses in aggregate in all the five years during 2013-18 and the aggregate losses were in the range of ₹ 27.81 crore to ₹ 45.56 crore. As per the latest finalised accounts, out of 11 working PSUs, three PSUs earned a profit of ₹ 8.93 crore and seven PSUs incurred a loss of ₹ 54.49 crore. One[20] company neither earned profit nor incurred any loss.

The details of number of PSUs which earned profit/incurred losses during 2013-18 are given in **Table 4.22**.

[19] Figures are as per the latest finalised accounts during the respective years.
[20] Puducherry Corporation for the Development of Women and Differently Abled Persons Limited.

Table 4.22: Details showing the number of working PSUs (other than Power Sector) which earned profit/incurred loss during 2013-18

Year	Total number of PSUs in the Union Territory	Number of PSUs which earned profit during the year	Number of PSUs which incurred loss during the year	Number of PSUs which reported no profit/loss	Number of PSUs which had marginal profit or loss[21]
2013-14	12	2	9	1	6
2014-15	11	1	8	2	5
2015-16	11	2	8	1	6
2016-17	11	3	7	1	7
2017-18	11	3	7	1	7 (Profit -3 and Loss - 4)

(Source: As per the latest accounts finalised during respective years)

As per the latest finalised accounts as on 30 September 2018, the major contributor to profits was Puducherry Distilleries Limited (₹ 4.95 crore). Heavy losses were incurred by two Textile Corporations[22] (₹ 38.67 crore).

(a) ROI on the basis of historical cost of investment

The UT Government infused funds in shape of equity in 11 PSUs (other than Power Sector). As on 31 March 2018, the total investment of the Government in 11 companies stood at ₹ 184.72 crore during 2009-10 to 2017-18.

The ROI from PSUs[23] has been calculated on the investment made by the UT Government in the form of equity and loans. In the case of loans, only interest free loans have to be considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. However, the UT Government has not advanced interest free loans to any of the PSUs. The dividend paid by the PSUs have been deducted from the total investment as the Government had got back returns to that extent. The funds made available in the form of grants/subsidies have not been reckoned as investment since they do not qualify to be considered as investments.

During the period 2009-10 to 2017-18, the investment made by the UT Government in these 11 PSUs was ₹ 184.72 crore comprising of equity only. During the same period, two PSUs[24] had paid a total dividend of ₹ 7.71 crore.

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[21] Profit/losses equal to or less than ₹ five lakh.

[22] Pondicherry Textile Corporation Limited and Swadeshee Bharathee Textile Mills Limited.

[23] Including one non-functional PSU.

[24] Pondicherry Industrial Promotion Development and Investment Corporation Limited and Puducherry Distilleries Limited.

Thus, the investment of UT Government in these 11 PSUs on the basis of historical cost stood at ₹ 177.01 crore as on 31 March 2018.

The profit earned or losses incurred by the subsidiaries would have ultimate bearing on the holding company and hence the profit/loss of the subsidiaries have to be added to the net earnings (loss). The lone subsidiary company *viz*., PELECON is in the process of winding up and all its assets and liabilities have been assumed by its Holding Company *viz*., PIPDIC during 2012-13. Accordingly, the profit/loss of PELECON upto that period has been considered for arriving at total earnings for the respective years.

The sector-wise ROI on historical cost basis for the years 2013-18 from the PSUs under three different classifications are given in **Table 4.23**.

Table 4.23: Return on UT Government Funds on historical cost basis

(₹ in crore)

Year-wise sector-wise break-up	Total earnings	Funds invested in the form of equity on historical cost	ROI on historical cost basis (in percentage)
(1)	**(2)**	**(3)**	**(4)= (2/3x100)**
2013-14			
Social Sector	(-)5.61	25.19	(-)22.27
Competitive Sector	(-)38.65	141.20	(-)27.37
Others	5.16	4.75	108.63
Total	**(-)39.10**	**171.14**	**(-)22.85**
2014-15			
Social Sector	(-)8.81	25.50	(-)34.56
Competitive Sector	(-) 37.23	148.85	(-) 25.01
Others	4.76	3.74	127.27
Total	**(-)41.28**	**178.09**	**(-)23.18**
2015-16			
Social Sector	(-)7.30	25.81	(-)28.29
Competitive Sector	(-) 40.85	148.85	(-) 27.44
Others	4.76	3.74	127.27
Total	**(-) 43.39**	**178.40**	**(-) 24.32**
2016-17			
Social Sector	(-)1.41	25.81	(-)5.46
Competitive Sector	(-) 31.35	148.47	(-) 21.12
Others	4.95	2.73	181.32
Total	**(-) 27.81**	**177.01**	**(-) 15.71**
2017-18			
Social Sector	(-)3.25	25.81	(-)12.59
Competitive Sector	(-) 47.26	148.47	(-) 31.83
Others	4.95	2.73	181.32
Total	**(-) 45.56**	**177.01**	**(-) 25.74**

(Source: As per the latest accounts finalised during respective years)

The return on funds invested was worked out by dividing the total earnings[25] by the historical cost of UT Government investments. In all the years under review, the overall ROI was negative and the same ranged between 15.71 to 25.74 *per cent.* At the end of March 2018, the overall ROI was negative at 25.74 *per cent.*

Analysis of ROI revealed that:

PSUs under Other Sector category was positive in all the years which increased from 108.63 in 2013-14 to 181.32 *per cent* in 2017-18.

PSUs under Competitive Sector category witnessed huge losses and the ROI in these PSUs was negative and fluctuating in the range of 21.12 to 31.83 *per cent.* The major reason for negative return from PSUs under CS category was due to huge losses incurred by all the PSUs, except for the profit reported by PIPDIC during 2013-14 and 2016-17, which was negative and ranged between ₹ 31.35 crore and ₹ 47.26 crore during 2013-18. The losses were mainly due to losses incurred by the two textile companies *viz.*, Pondicherry Textile Corporation Limited and Swadeshee-Bharathee Textile Mills Limited.

In respect of PSUs under Social Sector category, the ROI during 2013-14 to 2017-18 was negative and ranged between 5.46 *per cent* to 34.56 *per cent* which was mainly due to the loss sustained by Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO) in its public distribution activities.

(b) Return on Investments (ROI) on the basis of Present Value (PV) of the investment

An analysis of the earnings *vis-à-vis* investments in respect of 11 PSUs (other than Power Sector) where funds had been infused by the UT Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the PV of money. The PV of the Government investments has been computed to assess the rate of return on the PV of investments of UT Government in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its PV at the end of each year, the past investments/year-wise funds infused have been compounded at the year-wise average rate of interest. For the purpose of compounding, the average rate of Government borrowings, which was the minimum cost of funds to the Government for the concerned year was considered. Accordingly, PV of the UT Government investment was computed in respect of those 11 PSUs where funds have been infused by the UT Government in the shape of equity since inception of these companies till 31 March 2018.

The PV of the UT Government investment in 11 PSUs was computed on the basis of following assumptions:

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[25] This includes Net profit (+)/Loss (-) of all the PSUs including subsidiaries.

- The loans advanced by the UT Government are interest bearing and hence, the same has not been considered for calculating PV as only Interest Free Loans (IFL) has to be considered for the purpose. The funds made available in the form of grant/subsidies have not been reckoned as investment since they do not qualify to be considered as investment as indicated in Paragraph 4.3.10.1.
- The dividend paid by the PSUs have been deducted from the total investment in the respective years.
- The average rate of interest on Government borrowings for the relevant financial year[26] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of ROI made by the Government.

4.3.10.1 The UT Government's investment in these 11 PSUs in the form of equity for the period from 2009-10 to 2017-18 and the consolidated position of the PV and the total earnings of PSUs (other than Power Sector) for the same period are indicated in **Table 4.24**.

Table 4.24: Year-wise details of investment by the UT Government and PV of Government investment for the period from 2010-11 to 2017-18

(₹ in crore)

Financial year	PV of total investment at the beginning of the year	Equity infused by the UT Government during the year	IFL given by UT Government during the year	IFL converted into grant/ equity	Dividend paid by the PSUs	Total investment at the end of the year after adjusting dividend	Average rate of interest on Government borrowings (in *per cent*)	PV of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Actual total earnings for the year
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)=(2+3+4-5-6)**	**(8)**	**(9)=(7+(7x8/100)**	**(10)=(9x8/100)**	**(11)**
Upto 2009-10	--	144.52	--	--	1.44	143.08	8.00	154.53	--	--
2010-11	154.53	21.24	--	--	1.03	174.74	7.81	188.38	14.71	(-)69.89
2011-12	188.38	6.61	--	--	0.93	194.06	7.80	209.19	16.32	(-)56.49
2012-13	209.19	0.25	--	--	0.44	209.00	8.00	225.72	18.06	(-)39.63
2013-14	225.72	3.83	--	--	1.47	228.08	7.70	245.64	18.91	(-)39.10
2014-15	245.65	7.96	--	--	1.01	252.59	7.90	272.55	21.53	(-)41.28
2015-16	272.55	0.31	--	--	--	272.86	7.50	293.33	22.00	(-)43.39
2016-17	293.33	--	--	--	1.39	291.94	7.20	312.96	22.53	(-)27.81
2017-18	312.96	--	--	--	--	312.96	8.02	338.06	27.11	(-)45.56
Total		**184.72**	**--**	**--**	**7.71**					

(Source: Details as per annual accounts and as furnished by the PSUs.)

[26] The average rate of interest on Government borrowings was adopted from the Reports of the CAG of India on Union Territory Finances for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

The funds infused in these PSUs upto March 2010 was ₹ 144.52 crore comprising only of equity. During 2010-18, a total equity of ₹ 40.20 crore was infused in these PSUs. During the same period, these PSUs paid a total dividend of ₹ 7.71 crore. After deducting the dividend paid, the total investment worked out to ₹ 177.01 crore. The PV of the funds infused in these PSUs at the end of March 2018 worked out to ₹ 338.06 crore. During 2010-11 to 2017-18, the total earnings were negative in all the years and was thus far below the minimum expected return and consequently the cost of funds infused in these PSUs could not be recovered. The net aggregate loss was in the range of ₹ 27.81 crore to ₹ 69.89 crore against the expected profit between ₹ 14.71 crore to ₹ 27.11 crore. The losses from PSUs under Competitive Sector and Social Sector had set off the profit earned by the PSU under Other Sector (refer **Table 4.25**).

Analysis of comparison of sector-wise ROI of funds at historical cost with its PV revealed that PSU under Other Sector had positive returns whereas Social and Competitive Sector PSUs had negative returns in all the five years during 2013-14 to 2017-18. If the PSUs are earning profit, the rate of return calculated on historical cost would be higher whereas, the same would be less if calculated on the PV of the investments. In case of losses, the rate of return would already be negative and hence, the comparative position was not calculated. The sector-wise comparative position of ROI on the historical cost and with its PV during five years ended 2017-18 are given in **Table 4.25**.

Table 4.25: Comparative position of ROI on historical cost basis and PV

(₹ in crore)

Year wise sector-wise break-up	Total earnings	Historical cost of funds invested in the form of equity	ROI on historical cost (in percentage)	PV of the funds invested in the form of equity	ROI on the PV (in percentage)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)=(2/5x100)**
2013-14					
Social Sector	(-)5.61	25.19	(-)22.27	36.32	*
Competitive Sector	(-)38.65	141.20	(-)27.37	201.70	*
Others	5.16	4.75	108.63	7.62	67.72
Total	**(-)39.10**	**171.14**	**(-)22.85**	**245.64**	*****
2014-15					
Social Sector	(-)8.81	25.50	(-)34.55	39.53	*
Competitive Sector	(-)37.23	148.85	(-)25.01	225.88	*
Others	4.76	3.74	127.27	7.13	66.76
Total	**(-)41.28**	**178.09**	**(-)23.18**	**272.55**	*****
2015-16					
Social Sector	(-)7.30	25.81	(-)28.28	42.83	*
Competitive Sector	(-)40.85	148.85	(-)27.44	242.83	*
Others	4.76	3.74	127.27	7.67	62.06
Total	**(-)43.39**	**178.40**	**(-)24.32**	**293.33**	*****

Year wise sector-wise break-up	Total earnings	Historical cost of funds invested in the form of equity	ROI on historical cost (in percentage)	PV of the funds invested in the form of equity	ROI on the PV (in percentage)
(1)	(2)	(3)	(4)	(5)	(6)=(2/5x100)
2016-17					
Social Sector	(-)1.41	25.81	(-)5.46	45.92	*
Competitive Sector	(-)31.35	148.47	(-)21.12	259.90	*
Others	4.95	2.73	181.32	7.14	69.33
Total	**(-)27.81**	**177.01**	**(-)15.71**	**312.96**	*
2017-18					
Social Sector	(-)3.25	25.81	(-)12.59	49.60	*
Competitive Sector	(-) 47.26	148.47	(-) 31.83	280.75	*
Others	4.95	2.73	181.32	7.71	64.20
Total	**(-)45.56**	**177.01**	**(-)25.74**	**338.06**	*

* In view of the loss, rate of return was not calculated on PV of the investment.
(Source: As per the latest accounts finalised during respective years)

From the **Table 4.25**, it is evident that the ROI under PV method was lesser than the return calculated under historical method. In respect of PSUs under Others category, the rate of return was positive during all the years 2013-18 and ranged between 108.63 and 181.32 *per cent* on the historical cost of funds infused, whereas the rate of return on the PV of investment was between 62.06 and 69.33 *per cent*.

In respect of PSUs under Social Sector, the rate of return calculated on the historical cost of funds infused was negative and it was in the range of 5.46 to 34.55 *per cent* during the years 2013-14 to 2017-18.

PSUs under Competitive Sector (CS) category witnessed huge losses amounting to ₹ 195.34 crore out of the net aggregate losses of ₹ 197.14 crore. The ROI in these PSUs was negative in all the five years which was in the range of 21.12 to 31.83 *per cent* on historical cost. The major reason for negative return from PSUs under CS category were due to losses incurred by the two textile companies *viz.*, Pondicherry Textile Corporation Limited and Swadeshee-Bharathee Textile Mills Limited. Continuous loss of these PSUs resulted in erosion of net worth as discussed in Paragraph 4.3.11.

4.3.11 Erosion of net worth

Net worth means the sum total of paid up capital plus free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners had been wiped out by accumulated losses and deferred revenue expenditure. As per the latest finalised accounts, the paid up capital of 12 PSUs stood at ₹ 616.76 crore and its aggregate accumulated losses (net of free reserves of ₹ 45.32 crore in three

PSUs) stood at ₹ 711.63 crore leaving a negative net worth of these PSUs at ₹ 94.87 crore. The details of which are given in **Table 4.26**.

Table 4.26: Net worth of 12 PSUs (other than Power Sector) during 2013 -18

(₹ in crore)

Year wise sector-wise break-up	Paid up capital	Accumulated profit (+)/ loss(-) at the end of the year	Deferred revenue expenditure	Net worth
2013-14				
Social Sector	32.18	(-)19.09	--	13.09
Competitive Sector	565.19	(-)549.56	--	15.63
Others	8.45	35.59	--	44.04
Total	**605.82**	**(-) 533.06**	**--**	**72.76**
2014-15				
Social Sector	32.49	(-)30.36	--	2.13
Competitive Sector	568.09	(-)574.91	--	(-)6.82
Others	8.45	39.13	--	47.58
Total	**609.03**	**(-) 566.14**	**--**	**42.89**
2015-16				
Social Sector	32.80	(-)30.13	--	2.67
Competitive Sector	568.34	(-) 590.07	--	(-) 21.73
Others	8.45	39.13	--	47.58
Total	**609.59**	**(-) 581.07**	**--**	**28.52**
2016-17				
Social Sector	32.80	(-)32.99	--	(-)0.19
Competitive Sector	575.51	(-)682.17	--	(-) 106.66
Others	8.45	42.85	--	51.30
Total	**616.76**	**(-) 672.31**	**--**	**(-) 55.55**
2017-18				
Social Sector	32.80	(-)37.69	--	(-)4.89
Competitive Sector	575.51	(-) 716.79	--	(-) 141.28
Others	8.45	42.85	--	51.30
Total	**616.76**	**(-) 711.63**	**--**	**(-) 94.87**

(Source: Audit Reports and latest finalised accounts during the respective years)

It is evident from the table above, one PSU under Other Sector has been earning profit and had accumulated profit in all the years. Consequently, its net worth was also positive and showed increasing trend from ₹ 44.04 crore in 2013-14 to ₹ 51.30 crore in 2017-18.

The six PSUs under Competitive Sector were incurring losses in all the years and its accumulated losses increased from ₹ 549.56 crore in 2013-14 to ₹ 716.79 crore in 2017-18. The net worth of these six PSUs was positive during

2013-14 at ₹ 15.63 crore and it turned negative during 2014-15 at ₹ 6.82 crore. The position further deteriorated in the subsequent years and stood at ₹ 141.28 crore at the end of 2017-18. The negative net worth under this category of PSUs was mainly from Pondicherry Textile Corporation (PONTEX) which reported a net erosion of ₹ 206.35 crore at the end of March 2018 which was to some extent compensated by the positive net worth of PIPDIC. The main reasons for the negative net worth of PONTEX was the accumulated losses on account of insufficient revenue to absorb the fixed costs.

The net worth of four PSUs under Social Sector category was positive at ₹ 13.09 crore (2013-14) and though diminishing remained positive till 2015-16. Thereafter it turned negative and stood at ₹ 4.89 crore at the end of 2017-18.

The negative net worth indicated that the liabilities of these PSUs have exceeded the assets and instead of paying returns to the shareholders, the shareholders owe money.

4.3.12 Dividend payout

The UT Government had not formulated any policy for payment of minimum dividend on the share capital contributed by it. The UT Government had contributed to the equity of all the 11 PSUs in other than Power Sector Category. The total equity contributed by the UT Government in these 11 working PSUs at the end of March 2014 was ₹ 595.45 crore, which increased to ₹ 606.49 crore at the end of March 2018. Against this equity, the dividend paid by the PSUs to the Government was in the range of ₹ 1.01 crore to ₹ 1.47 crore during 2013-18. Details of total equity infused in the 11 PSUs, profit earned by PSUs and the dividend paid to the UT Government during 2013-18 are given in **Table 4.27**.

Table 4.27: Declaration of dividend by PSUs other than Power Sector during 2013-18

(₹ in crore)

Year	Total number of PSUs		Equity infused		PSUs which earned profit		PSUs which declared dividend		Dividend pay-out ratio
	Number of PSUs	Equity amount (including equity infused during the year)	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Dividend paid	
1	2	3	4	5	6	7	8	9	10 = 9/3x100
2013-14	12	595.45	1	0.31	2	7.37	2	1.47	0.25
2014-15	11	598.76	2	3.31	1	4.76	1	1.01	0.17
2015-16	11	599.32	2	0.56	2	6.21	0	0.00	--
2016-17	11	606.49	2	7.17	3	10.18	2	1.39	0.23
2017-18	11	606.49	--	--	3	8.93	0	0.00	--

(Source: Latest finalised accounts of PSUs)

During 2013-18, the major contributors to profit were PIPDIC and PDL. Both these PSUs declared a dividend ₹ 3.87 crore against equity investment of

₹ 121.03 crore. The dividend payout on the total equity investments constituted a meagre percentage ranging from 0.17 to 0.25.

4.3.13 Return on Equity

Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' funds to create profits and is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' funds. It is expressed as a percentage and can be calculated for any company if both the net income and shareholders' funds are positive. Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts were paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative figures means that liabilities exceed the assets. ROE has been computed in respect of 11 working PSUs (other than Power Sector Undertakings) and the details of shareholders' funds and ROE during 2013-18 are given in **Table 4.28**.

Table 4.28: ROE relating to 11 working PSUs during 2013-18

(₹ in crore)

Year	Net income	Shareholders' funds	ROE (in *per cent*)
2013-14	(-) 39.10	72.76	--
2014-15	(-) 41.28	42.89	--
2015-16	(-) 43.39	28.52	--
2016-17	(-) 27.81	(-) 55.55	--
2017-18	(-) 45.56	(-) 94.87	--

As can be seen from **Table 4.28**, during all the last five years ending 2017-18, the net income was negative and thus, the ROE could not be worked out.

4.3.14 Return on capital employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency on the capital employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[27]. The details of ROCE of the PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in **Table 4.29**.

[27] Capital employed = Shareholders funds plus long term loans.

Table 4.29: Return on Capital Employed

(₹ in crore)

Year	EBIT	Capital Employed	ROCE (in *per cent*)
2013-14	(-) 22.41	72.76	--
2014-15	(-) 21.12	55.72	--
2015-16	(-) 23.26	40.38	--
2016-17	(-) 8.71	(-) 45.16	--
2017-18	(-) 23.77	(-) 78.28	--

(Source: As per the latest finailsed accounts)

The EBIT of these PSUs was negative during all the five year period 2013-18 which ranged between ₹ 8.71 crore and ₹ 23.77 crore.

4.3.15 Analysis of long term loans of the PSUs (other than Power Sector)

Analysis of the long term loans of the PSUs of other than Power Sector which had leverage during 2013-18 was carried out to assess the ability of the companies to service the debt owed by the PSUs to Government, banks and other financial institutions. This was assessed through the interest coverage ratio and debt turnover ratio in the following paragraphs.

4.3.15.1 Interest Coverage

Interest Coverage Ratio (ICR) is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period 2013-18 are given in **Table 4.30**.

Table 4.30: Interest coverage ratio of working PSUs (other than Power Sector)

Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of PSUs having interest liability	Number of PSUs with negative ICR	Number of PSUs with ICR more than zero and upto one	Number of PSUs having ICR more than one
2013-14	12.98	(-) 22.41	9	7	1	1
2014-15	17.07	(-) 21.12	7	4	3	--
2015-16	17.02	(-) 23.26	8	5	2	1
2016-17	17.12	(-) 8.71	8	5	2	1
2017-18	19.82	(-) 23.77	7	4	1	2

(Source: As per the latest finailised accounts during the respective years)

Of the seven PSUs having liability of loans during 2017-18, four PSUs had negative ICR indicating that these PSUs could not generate adequate income to pay off its interest liability. Two PSUs had ICR more than one indicating sufficient income to pay off its interest burden and one PSU could partially payoff its interest liability.

4.3.15.2 Debt turnover ratio

The details of the total debts and the turnover of the PSUs (other than Power Sector) are given in **Table 4.31**.

Table 4.31: Key parameters of the PSUs

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt	Nil	12.83	11.86	10.39	16.59
Turnover	298.67	304.84	318.89	270.54	307.99
Debt-turnover ratio	--	0.04:1	0.04:1	0.04:1	0.05:1

(Source: As per the latest finailsed accounts)

During the last five years, the turnover of these PSUs fluctuated between ₹ 298.67 crore and ₹ 318.89 crore during 2013-14 and 2017-18, whereas the debt ranged between ₹ 10.39 crore and ₹ 16.59 crore during the same period. However, the debt-turnover ratio almost remained constant throughout this period.

4.3.16 Winding up of non-functional PSUs

There is only one non-functional PSU as on 31 March 2018, *viz.*, Pondicherry Electronics Limited (PELECON) which is a subsidiary of Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC). PELECON is in the process of winding up and consequently PIPDIC, the Holding Company, has assumed the assets and liabilities of PELECON as on 31 March 2013. The proceedings for getting the name of PELECON struck off from the Register of Companies under Fast Track Exit Scheme is under process.

4.3.17 Performance Audit and Compliance Audit paragraphs

For the Chapter on Government Commercial and Trading Activities included in the Report of the Comptroller and Auditor General of India - Government of Union Territory of Puducherry for the year ended 31 March 2018, one Thematic Audit on Recruitment, Engagement and Deployment of personnel in Puducherry PSUs during 2013-14 to 2017-18 was issued to the Chief Secretary to Government of UT of Puducherry and Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies within four weeks. Replies to the Thematic Audit have been received from the UT Government and taken into account while finalising this paragraph. The total financial impact of this Thematic Audit is ₹ 185.39 crore (including ₹ 5.92 crore in respect of the Power Sector PSU).

4.3.18 Follow up action on Audit Reports

The Report of the CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. In view of this, the Administrative Departments have to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature in the prescribed format without waiting for any questionnaire from the Public Accounts Committee (PAC).

4.3.18.1 Replies outstanding

Table 4.32 gives the status of receipt of explanatory notes in respect of the Audit Reports presented before the UT Legislature.

Table 4.32: Explanatory notes not received (as on 31 December 2018)

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		Performance Audit	Paragraphs	Performance Audit	Paragraphs
2010-11	30.07.2012	Nil	02	Nil	01
2011-12	29.07.2013	Nil	02	Nil	Nil
2012-13	23.09.2014	Nil	01	Nil	01
2013-14	06.05.2015	Nil	01	Nil	01
2014-15	08.09.2016	Nil	01	Nil	01
2015-16	15.06.2017	Nil	01	Nil	01
Total		**Nil**	**08**	**Nil**	**05**

From **Table 4.32**, it could be seen that out of eight paragraphs, explanatory notes to five paragraphs in respect of four Departments, which were commented upon, were not received (December 2018).

4.3.18.2 Discussion of Audit Reports by PAC

The status of performance audits/paragraphs that appeared in Audit Reports of UT of Puducherry and discussed by PAC as on 31 December 2018 was as given in **Table 4.33**.

Table 4.33: Reviews/Paras appeared in Audit Reports *vis-à-vis* discussed as on 31 December 2018

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraph Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2010-11	Nil	02	Nil	02
2011-12	Nil	02	Nil	Not discussed
2012-13	Nil	01	Nil	Not discussed
2013-14	Nil	01	Nil	Not discussed
2014-15	Nil	01	Nil	Not discussed
2015-16	Nil	01	Nil	Not discussed
Total	**Nil**	**08**	**Nil**	**02**

4.3.18.3 Compliance to Reports of PAC

Action Taken Notes (ATNs) to 84 recommendations pertaining to 20 Reports of the PAC presented to the Legislature of Government of UT of Puducherry between February 2011 and March 2017 had not been received (December 2018) as indicated in **Table 4.34**.

Table 4.34: Compliance to PAC Reports

Year of the PAC Report	Total number of PAC Reports	Total number of recommendations in PAC Report	Number of recommendations where ATNs not received
Upto 2010-11	15	101	30
2011-12	--	--	--
2012-13	01	20	14
2013-14	02	25	22
2014-15	02	36	18
2015-16	--	--	--
2016-17	--	--	--
Total	**20**	**182**	**84**

These Reports of PAC contained recommendations in respect of paragraphs pertaining to eight Departments, which appeared in the Reports of CAG of India for Government of Union Territory of Puducherry for the years from 2002-03 to 2008-09.

It is recommended that the Government may prescribe a time schedule and resource person in each PSUs to ensure (a) sending replies to the Performance Audit Reports and Paragraphs, Explanatory Notes and ATNs on the recommendations of PAC as per the prescribed time schedule; (b) recovery of loss/outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations. The Government may establish a system to monitor compliance to above.

4.3.19 Coverage of this Chapter

This Chapter contains a Thematic Audit on Recruitment, Engagement and Deployment of Personnel in Puducherry PSUs during 2013-14 to 2017-18 involving financial impact of ₹ 185.39 crore.

4.4 Audit on Recruitment, Engagement and Deployment of Personnel in Puducherry PSUs during 2013-14 to 2017-18

4.4.1 Introduction

Public Sector Undertakings (PSUs)[28] of Government of Union Territory of Puducherry (UT Government), for the matters relating to recruitment, pay and allowances and other related entitlements, have been following the Rules applicable to the employees of Government of India (GOI), and Recruitment Rules (RR) framed thereunder by the respective PSUs. Accordingly, pay and allowances to the employees of Autonomous Institutions, Corporations, Societies, Boards and Local Bodies are regulated as per the directives of the Government from time to time.

UT Government, while issuing orders for implementation of the recommendations of Sixth Central Pay Commission (CPC), directed[29] (October 2008) that in case of creation of new posts including daily rated posts or up-gradation, the relevant RR needs to be amended suitably and the approval of the Government should be obtained for such amendments. It further stated that the perks and allowances applicable for employees of PSUs should not be superior to the employees of UT Government. The employees of all non-profit making or financially non-viable PSUs will be entitled to the minimum bonus payable under Bonus Act, 1965 and not entitled to get any *ex-gratia* payment. For engagement and regularisation of casual labourers, UT Government introduced (February 2009)[30] a new scheme called "Puducherry Casual Labourers (Engagement and Regularisation) Scheme 2009" (PCL (ER) Scheme 2009).

The sanctioned strength and persons-in-position (PIP) of regular employees and casual labourers (CLR) of 12 PSUs of UT Government and expenditure incurred towards pay and allowances and other entitlements during 2013-18 are given in **Table 4.35**.

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28 Twelve PSUs: (i) Puducherry Distilleries Limited (PDL), (ii) Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC), (iii) Pondicherry Textile Corporation Limited (PTC), (iv) Puducherry Road Transport Corporation Limited (PRTC), (v) Puducherry Agro Service and Industries Corporation Limited (PASIC), (vi) Puducherry Adi Dravidar Development Corporation Limited (PADCO), (vii) Puducherry Power Corporation Limited (PPCL), (viii) Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP), (ix) Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO), (x) Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDC), (xi) Puducherry Tourism Development Corporation Limited (PTDC) and (xii) Swadeshee-Bharathee Textile Mills Limited (SBTML).

29 Finance Department G.O Ms. No 66/F3/2008 dated 24 October 2008.

30 G.O.Ms. No 22 dated 27 February 2009.

Table 4.35: Statement showing sanctioned strength and Persons-in-Position

Sl. No	Name of the PSU	Sanctioned strength as on 31 March 2018	Persons-in-Position as on 31 March 2018				Expenditure incurred towards pay and other entitlements during 2013-18 (₹ in crore)		
			Regular	CLR	Total	Percentage to sanctioned strength	Regular	CLR	Total
1	PDL	182	131	42	173	95.05	26.09	3.60	29.69
2	PIPDIC	171	90	100	190	111.11	27.77	5.50	33.27
3	PTC	827	795	2	797	96.37	50.89	0.43	51.32
4	PRTC	801	481	281	762	95.13	81.47	6.62	88.09
5	PASIC	421	330	203	533	126.60	55.92	14.86	70.78
6	PADCO	81	68	15	83	102.47	13.56	1.42	14.98
7	PPCL	169	117	11	128	75.74	34.46	1.43	35.89
8	PCDWDAP	1,428	1,284	6	1,290	90.34	169.64	0.31	169.95
9	PAPSCO	346	307	790	1,097	317.05	30.67	16.33	47.00
10	PBCMDC	40	40	27	67	167.50	4.59	2.00	6.59
11	PTDC	319	237	10	247	77.43	39.79	0.65	40.44
12	SBTML	615	315	246	561	91.22	30.91	6.52	37.43
Total		**5,400**	**4,195**	**1,733**	**5,928**		**565.76**	**59.67**	**625.43**

(Source: Details furnished by the PSUs)

The main objectives of the audit was to ascertain whether the RR of PSUs were in conformity with rules of Government; recruitments/upgradation of posts were made in compliance with RR; payment of pay and allowances/incentives were made as per the norms of UT Government; Statutory dues were duly remitted and there was adequate internal control mechanism. The audit was commenced with an Entry Conference held on 19 April 2018 with Chief Secretary of UT Government to explain the scope of audit and objectives. The present Audit covered the recruitment process, fixation of pay and allowances, promotions and up-gradations, grant of other allowances and deployment of personnel in all 12 PSUs during the period 2013-18. Replies (November 2018) and the response of UT Government during the Exit Conference (chaired by Chief Secretary) held on 28 December 2018 were considered and included in the Report wherever deemed necessary.

Audit Findings

4.4.2 Granting of Sixth CPC scale without amending RR

Out of total 12 PSUs, three PSUs (PTC, PBCMDC and SBTML) were yet to formulate its own RR (September 2018). UT Government recommended

(October 2008) the implementation of Sixth CPC recommendations to 10 PSUs (except PTC and SBTML) and instructed (October 2008) that RR should be amended substituting the existing pay scales by the new scale of pay duly approved by the Government. Audit observed that these 10 PSUs granted the new scale of pay without amending its RR. Further, subsequent to the implementation of Sixth CPC recommendations, PSUs had carried out creation, up-gradation and modification of post with revision in the scale of pay without obtaining the approval of UT Government. Audit observed that these PSUs did not submit the necessary proposals duly amending the RR to UT Government for seeking its approval. Instances of such omissions as noticed during the audit are discussed in subsequent paragraphs.

4.4.3 Irregular appointments

Puducherry Distilleries Limited (PDL) decided (October 2014/August 2015) to increase the post of Multi Purpose Workers (MPW) from 17 to 58 with grade pay of ₹ 1,800 and approved the modification of RR. It was decided to appoint these MPW through direct recruitment by conducting trade test[31]. It was also decided to consider their existing 53 CLR for this recruitment process. Necessary changes in the RR (essential educational qualification: Secondary School Leaving Certificate (SSLC) or equivalent and Age: between 18 and 32 years) were approved by the Board (August 2015), but the same were not sent to UT Government for its approval. Meanwhile, the PDL notified (October 2015) the direct recruitment and issued advertisement in the newspaper calling for the applications. In response, applications were received only from 53 existing CLRs and no other applications were received and thus, all the 53 applicants were appointed as MPW in December 2015.

Audit observed that PDL had not conducted the work study for assessment of vacancies before increasing the number of posts from 17 to 58. Further, in the newspaper advertisement, PDL had not indicated any mailing address to which the applications are to be sent *i.e*, the mailing post box number was kept blank *("the Box No.......... C/O The Indian Express, Anna Salai, Chennai 600 002")*. The incomplete advertisement did not give scope for candidates from open market and restricted the applications from insiders only, i.e., existing 53 CLRs. Thus, the recruitment process lacked transparency and the PDL consciously ensured that no outside candidate participated in the recruitment process favouring existing CLRs.

It was further observed that out of 53 CLRs, only nine applicants satisfied both the age and educational qualification; 39 persons did not satisfy the age criteria, 29 persons did not satisfy the educational criteria and 24 persons did not satisfy both the criteria. The Departmental Selection Committee comprising the then Managing Director, Company Secretary and General

31 Final external assessment undertaken to meet the requirement included in an occupational qualification for a listed trade.

Manager (Works) recommended to appoint all the 53 candidates relaxing the age and educational qualification. The sequence of the events indicated that the existing 53 CLRs were indirectly regularised. Thus, the recruitment of 53 MPW tantamount to regularisation of existing casual labourers and pay and allowances paid ₹ 1.71 crore (₹ 5.04 lakh per month for 34 months) for the period from December 2015 to September 2018 was irregular.

PDL in its reply (November 2018) stated that it had regularised (April 2015) 53 CLRs with the approval (April 2015) of Honorable Chief Minister. However, Secretary to Government (Transport/Industries and Commerce) had requested (September 2018) PDL to fix responsibility on the official, who had engaged without following the due procedure and to take corrective action for illegal engagement of CLRs.

4.4.4 Puducherry Power Corporation Limited (PPCL) appointed Executive Engineer (EE) in its plant at Karaikal in March 2002 in the scale of pay of ₹ 10,000-325-15,200. The Selection Committee fixed the basic pay at the maximum of the time scale, by granting 16 advance increments considering his previous employment in Steel Authority of India Limited (SAIL), a PSU functioning under GOI. On completion of 10 years of his service as EE, for grant of Modified Assured Career Progression (MACP)[32] to him, PPCL submitted a proposal to UT Government (November 2012) seeking its approval. UT Government had not acceded (March 2014) for grant of MACP stating that the grant of 16 advance increments at entry stage was not in order and as the same was not approved by UT Government.

PPCL submitted another proposal to UT Government in November 2016 for his promotion as Superintending Engineer (SE). UT Government, reiterating the irregular grant of 16 advance increments at entry stage turned down (March 2017) the proposal and directed that the promotion to SE should be kept in abeyance and the excess amount paid should be recovered. However, PPCL did not implement the order of the UT Government and continued to pay the salary in the scale applicable to SE (November 2018).

As per the Office Memorandum (OM) dated 7 August 1989[33], in case of the candidates recruited from Central Autonomous Bodies (CAB), the pay fixation is to be made by the employing Ministries/Departments after verification of all the relevant documents to be produced by the candidates, who were employed in such organisation. In this connection, Audit observed that the selected individual did not produce the requisite evidence such as application through proper channel, NOC and Last Pay drawn Certificate (LPC) from the previous employer (SAIL). However, the initial pay was fixed in the maximum of the time scale without verification of relevant documents which resulted in payment of salaries at higher amount and was irregular. The excess payment

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32 Modified Assured Career Progression Scheme notified by Government of India in September 2010 for financial up-gradation after prescribed years.

33 No. 12/1/88-Estt (Pay-1) dated 7 August 1989 issued by Department of Personnel and Training.

on this account worked out to ₹ 39.09 lakh (up to October 2018), which needed to be recovered. Further, the responsibility needs to be fixed for the irregular fixation of pay.

UT Government in its reply stated that NOC from previous employer and verification of LPC did not arise as the Board of Directors had unbridled power in the appointment and service condition of the officers appointed in PPCL. The reply was not tenable for the reason that as per the OM, the pay fixation of any person recruited from CAB should be made with due approval of the Administrative Department after verification of all relevant documents including NOC and LPC and thus, the action of the Board in the instant case was beyond its power.

4.4.5 In Puducherry Road Transport Corporation Limited (PRTC), the sanctioned strength of drivers and conductors as on 01 April 2015 was 272 and 290 respectively. In view of the then vacancy of 83 drivers and 117 conductors, it was decided (January 2014) to engage 60 drivers and conductors each on contract basis[34]. Accordingly, the PRTC issued public advertisement in the newspapers[35] on 31 July 2013. Subsequently, considering the proposed purchase of additional 40 new buses, PRTC reassessed the requirement and decided (June/August 2015) to recruit 120 drivers and 80 conductors additionally. PRTC appointed 152 drivers and 154 conductors at a consolidated monthly pay of ₹ 7,500 and ₹ 7,000 respectively in September/November 2015, taking the total strength to 341 drivers and 327 conductors.

Audit observed that PRTC had engaged 69 drivers and 37 conductors in excess of the sanctioned strength for which approval of the UT Government was not obtained. Further, it was observed that the notification for recruitment of conductors prescribed a minimum educational qualification of SSLC and selection on the basis of skill test, physical fitness test and personal interview. Scrutiny of the notified merit list containing 130 conductors revealed that selection was made on the basis of educational qualification and there was no documentary support indicating the fulfilment of skill test, physical fitness test and personal interview. Though the notified merit list contained 130 candidates only, appointment orders were issued to 154 candidates and thus the fulfillment of eligibility criteria by the remaining 24 candidates could not be verified in audit. Under the circumstances, the recruitment process of conductors lacked transparency. Thus, accountability needs to be fixed for appointment of 24 conductors without following the due process.

UT Government in its reply stated “all the conductor applicants were given the appointment on the basis of the decision taken at higher level”. During the Exit Conference, it was stated that the number of applicants were less/ on par with the required number of conductors and thus, all the applicants were appointed. The reply is not tenable for the reason that PRTC did not follow the

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34 For a period of 11 months at a consolidated wages, extendable based on the performance of the individuals.

35 Dinamalar, Dinakaran and Daily Thanthi (Puducherry and Villupuram editions).

selection process prescribed in the recruitment notification and thus recruitment lacked transparency.

4.4.6 Irregular grant of financial up-gradation

As per OM dated 19 May 2009[36], for grant of financial up-gradation under MACP, a Screening Committee consisting of a Chairperson and two members should be formed and the members of the Committee should be holding post at least one level above the grade in which the MACP is to be considered. The financial up-gradation to the grade pay of ₹ 7,600 and above should be granted subject to benchmark of "Very Good".

PRTC, as per the decision (July 2010) of the Review Committee Meeting, granted (September 2010) first MACP to General Manager cum Company Secretary from ₹ 15,600-39,100-grade pay ₹ 6,600 to the next pay level of ₹15,600-39,100-grade pay ₹ 7,600 with effect from 01 September 2008 after completion of 10 years of continuous service. On completion of 20 years of continuous service, second financial upgradation from grade pay of ₹ 7,600 to next level grade pay of ₹ 8,700 with effect from 20 January 2017 was granted (January 2018), as per the recommendations of the Screening Committee.

Audit observed that for grant of first financial up-gradation, the Review Committee comprised the required three members, Managing Director as Chairperson, who was holding the post one level above to the post for which the MACP was considered, the second member was holding the post of same level of General Manager and the third member was the beneficiary himself. PRTC did not refer the matter to the Government for nomination of eligible member and thus, the first financial up-gradation was granted without following the due process. For grant of second financial up-gradation, the Screening Committee comprised two members only, Managing Director as Chairperson and other member being Assistant Manager *i.e.*, holding the post with lower level of General Manager. Thus, the Committees which recommended the financial up-gradations were not competent. Further, it was observed that while sanctioning the first financial up-gradation, the Committee did not verify the fitness as to the required benchmark of "Very Good" and the second financial up-gradation was granted in spite of the verification that the performance of the officer was only to the level of "Good". Thus, the grant of both the financial up-gradations to the individual lacked authority resulting in excess payment of ₹ 6.95 lakh, which needs to be recovered.

UT Government in its reply stated that the guidelines issued by GOI and UT Government would be followed in future. However, the fact remained that the excess payment was not recovered from the individual so far (December 2018). During the Exit Conference, Chief Secretary stated that the matter would be reviewed and appropriate action would be taken in due course.

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[36] No. 35034/3/2008-Estt (Pay-1) dated 19 May 2009 issued by Department of Personnel and Training.

4.4.7 Up-gradation and modification of posts with revision of scale of pay

UT Government directed (October 2008) that creation of new posts should be made with prior approval of Administrative Reforms Wing and Finance Department. Audit noticed that three PSUs had up-graded/modified 242 posts by revising the scale of pay, restructuring of posts and re-designation of existing categories of posts as given in **Table 4.36**.

Table 4.36 : Details of up-gradation of posts in PSUs without the approval of UT Government

Sl. No	Name of the PSU	Category of post	Number of employees	Effective from	Financial impact (₹ in crore)	Remarks
1	PADCO	Working Assistant	7	December 2010	0.49	No approval of UT Government
		Junior Accountant	1	January 1996	0.04	
		Manager to Field Inspector	18	April 2018	0.05	
2	PTDC	Manager to MTS	25	January 2015	0.18	UT Government turned down the proposal in November 2014
		Assistant Manager to Bartender	156	Between September 2015 and February 2016	0.83	No approval of UT Government.
3	SBTML	Accounts Officer to Assistant Manager, Junior Plus and Supervisor	35	September 2015 and December 2017	0.08	No approval of UT Government
Total			**242**		**1.67**	

Note: Financial impact was worked out from the date of upgradation to September 2018
(Source: Records of concerned PSUs)

Audit observed that PSUs did not obtain the required approval of UT Government for up-gradation of posts by amending RR before effecting the promotions and releasing the salary at up-graded pay scale. Audit worked out the excess payment of salary on this account totalling ₹ 1.67 crore, which lacked authority and needed to be recovered.

UT Government in its reply stated that PADCO and PTDC had initiated action for ratification. In respect of SBTML, promotion was given based on the seniority, which was followed in National Textile Corporation Limited. The fact, however, remained that no recovery has been initiated by the above PSUs so far (December 2018).

4.4.8 Engagement of CLR, DRL and voucher paid labourers

As per the directives (October 2008) of UT Government, no daily rated posts should be created without the specific written approval of the Government. Audit observed that the following five PSUs had engaged a total of 544 CLR/Daily Rated Labourers (DRL)/Voucher Paid Labourers (VPL) during the period mentioned thereagainst without the approval of the Government as detailed in **Table 4.37**.

Table 4.37: Details of engagement of CLR/DRL/VPL without the approval of Government

Sl.No.	Name of the PSU	Number of persons	Month of appointment	Salary/Wage range (in ₹)	Salary paid (₹ in crore)
1	PDL	42	Between July 2011and June 2017	250/day	1.36
2	PDL	15-23	Between July 2011 and April 2016	250/day	0.57
3	PIPDIC	97	Between December 2005 and August 2014	2,000 to 12,500 per month	6.24
4	PBCMDC	27	Between February 2012 and December 2014	230 to 290/day	1.37
5	PTDC	100	February 2016	6,000 per month	1.03
6	SBTML	255	Between August 2013 and March 2017	250 to 350/day	7.71
Total		**544**			**18.28**

Note: Salary paid upto September 2018 from the date of appointment
(Source: Records of concerned PSUs)

In the absence of the assessment of the requirement of the above engagement, the correctness of the expenditure could not be verified in Audit.

- In PDL, wages totalling ₹ 0.57 crore was paid by the Chairman's Office towards the engagement of 15 to 23 CLRs for the expansion project at Karaikal during July 2011 to April 2016. A detailed verification of the engagement of these CLRs revealed that the PDL did not verify the credentials of these CLRs *viz*., address, age, educational qualifications, PAN, Family Card to establish the genuineness of the employees. Hence, the genuineness of this payment was doubtful.

- In PIPDIC, even though the Board decided (January 2014) all the Special Cleaning Casual Labourers (SCCL) be disengaged with immediate effect for the reason that SCCLs did not attend their work properly in spite of repeated instructions, they were disengaged only for a period of six months and re-engaged (July 2014) without considering the requirement and also without obtaining approval of the Board.

- PDL, PBCMDC, PTDC and SBTML did not follow the due procedures as prescribed in GO.Ms.No.22 dated 27 February 2009 such as notification to the Employment Exchange with the concurrence of Finance Department, prior approval of UT Government, no engagement of Casual Labourer against regular vacancies and no engagement of CLRs beyond 200 days in a year.

UT Government in reply stated that in PIPDIC, it was necessitated to engage CLRs to keep the industrial estates clean and in PDL, CLRs were engaged at the instance of the non-official Chairman. The reply was not acceptable for the reason that CLRs were engaged without following the due procedure as per the directives of UT Government as stated above and no evidence was produced to Audit in support of instruction from non-official Chairman of PDL.

4.4.9 Regularisation of CLR/DRL/VPL

As per the directives of UT Government contained in PCL (ER) Scheme 2009, regularisation of CLRs should be made only with the prior approval of UT Government with due justification for creation of post by conducting work study and formation of DPC. It was noticed that in four PSUs (PRTC, PAPSCO, PBCMDC and PTDC) 89 CLRs were regularised, out of which only 48 CLRs fulfilled the prescribed age and educational qualification. Six CLRs were not having prescribed educational qualification, 30 CLRs were overaged and four persons were not having both age and educational qualification as given in **Table 4.38**.

Table 4.38: Regularisation of CLR/DRL/VPL without following directives of UT Government

Sl. No	Name of the PSUs	Month of regulari-sation	Number of employees	Posts to which regularised	Those not possessing required qualifications			Financial Impact (₹ in crore)
					Educational	Age	Both	
1	PRTC	August 2014	12	2 Junior Assistant, 1 Peon and 9 Watchman	0	6	2	0.42
2	PAPSCO	October 2013	37	Helper	2	11	1	2.74
3	PBCMDC	July 2014	30	19 MTS (J.A), 1 Driver, 5 MTS (General), 1 MTS (Security), 4 MTS (House Keeping)	4	7	1	0.47
4	PTDC	October 2015	10	Sanitary Assistants	0	6	0	0.27
Total			**89**		**6**	**30**	**4**	**3.90**

Note: The Financial impact was up to September 2018 from the date of regularisation
(Source: Records of concerned PSUs)

A further analysis indicated that, in PAPSCO three CLRs had submitted forged School Leaving Certificates and Chief Vigilance Office requested (November 2015) to initiate disciplinary proceedings for major penalty. However, PAPSCO had not taken any action in this regard and these CLRs were continuing in the employment. In PBCMDC, out of 30 regularised employees, 19 employees of MTS category were promoted (January 2015) as Junior Assistant in the upgraded scale of pay within six months against the minimum qualifying service of three years[37]. This has resulted in irregular payment of salary to the extent of ₹ 0.47 lakh from July 2014 to September 2018.

[37] Authority: G.O. Ms. No.74/DP&AR/CC dated 14.12.2010 as amended vide G.O. Ms. No. 115/DP&AR/CCVI dated 28 November 2016.

UT Government in its reply stated that PSUs had regularised the CLRs with the approval of the Board and in case of PAPSCO, the matter was referred to Vigilance Department. The reply was not tenable as approval of UT Government was not obtained and in particular, the PAPSCO had not taken any departmental action for submission of bogus certificate by the three helpers and still they are continuing in the employment. The fact, however, remained that no recovery had been initiated by the above PSUs (December 2018).

4.4.10 Surplus manpower due to closure/discontinuation of schemes

UT Government directed (October 2008) that the PSUs should review the manpower requirement on a realistic basis and retain the minimum required employees and find ways and means to weed out the excess staff. But, none of the PSUs carried out the manpower assessment (November 2018). The Persons-in-Position including casual labourers exceeded the sanctioned strength in five PSUs (PIPDIC, PASIC, PADCO, PAPSCO and PBCMDC) ranging from 102 to 317 *per cent* (as given in **Table 4.35**). In the absence of manpower assessment, the judicious deployment of the staff employed could not be assessed in audit. Specific instances noticed in PAPSCO and PASIC are discussed below:

4.4.10.1 As of March 2018, PAPSCO had 307 regular employees as against the sanctioned strength of 346 employees. In addition, PAPSCO had 504 DRL and 287 VPL/coolie employees as on that date. As per the directives of UT Government (October 2008) in respect of implementation of Sixth CPC recommendation, PAPSCO did not review the requirements of manpower on realistic basis to weed out the excess staff. In the absence of such assessment, Audit compared the sanctioned strength as assessed by the One Man Committee (as approved by the Board) in August 2005 with the actual strength in March 2018 and found that 934 employees were additionally employed as given in **Table 4.39**.

Table 4.39: Details showing the surplus manpower in PAPSCO

Sl. No.	Name of the post	Strength assessed as per the One Man Committee and approved by the Board in June 2005	Persons-in-Position as of March 2018	Surplus	Wages per annum (₹ in crore)
1	Helper	105	248	143	2.63
2	DRL	0	504	504	3.27
3	Voucher paid labourers/Coolie	0	287	287	1.29
Total			**1,039**	**934**	**7.19**

Note: Wages calculated at the minimum amount payable for the total number of persons engaged

(Source: Details furnished by the PAPSCO)

Further, Audit noticed that the PAPSCO had discontinued (September 2013) the Public Distribution System activities and closed medical shops, cost price shops and fair price shops. However, it did not reassess the manpower requirement in the light of closure of activities to weed out the excess

DRL/VPL and continued to pay the wages to all the employees engaged for the closed activities also. Audit observed that failure to review the manpower requirements on a realistic basis resulted in unproductive expenditure of ₹ 7.19 crore *per annum* and total expenditure of ₹ 35.95 crore during the period 2013-18.

UT Government in its reply stated that it had constituted (November 2018) a Committee to identify the optimal number of employees and downsizing surplus employees would be taken up after receipt of the Report of the Committee. However, the fact remained that PAPSCO did not implement the recommendations of the One Man Committee appointed in the year 2005 and continued with the surplus staff since then.

4.4.10.2 PASIC discontinued (2007-08) various operations on account of withdrawal of Government schemes such as supply of vegetables and eggs to educational institutions and closure/reduction of activities such as horticulture, garden maintenance and landscaping for Government Departments in which 336 employees under five different categories were engaged as detailed in **Table 4.40**.

Table 4.40 : Details showing surplus employees in PASIC

Sl. No	Categories of employees	Number of employees	Idle wage *per annum* (₹ in crore)
1	Helpers including all service placement staff	120	2.81
2	Civil section	7	0.24
3	Cleaners	5	0.12
4	Drivers	5	0.17
5	Full time casual labourers (FTCL) including service placement staff	199	3.20
Total		**336**	**6.54**

Note: July 2017 salary paid in June 2018 is taken for the above working
(Source: Records of PASIC)

However, the PASIC did not take any initiative to weed out the excess employees. Audit observed that failure to review the manpower requirements on a realistic basis resulted in unproductive expenditure of ₹ 6.54 crore *per annum* and total expenditure of ₹ 32.70 crore during the period 2013-18. The inaction to weed out the excess manpower in these PSUs lacked justification.

UT Government in its reply stated that most of the activities had come to standstill due to the non-availability of working capital and the Company was not in a position to lay-off or disengage the employees.

4.4.11 Irregular Payment of allowances and perks

4.4.11.1 Payment of ex-gratia in violation of Government directives

As per the Bonus Act, 1965 and directives (October 2008) of UT Government, the employees of non-profit making or financially non-viable institutions were entitled to minimum bonus only and no *ex-gratia* or additional bonus than the minimum statutory bonus shall be payable. Audit observed that 12 PSUs incurred loss in one or more years during 2013-18 and paid *ex-gratia* during the year in which there was no profit. The excess payment on this account worked out to ₹ 13.04 crore as detailed in **Appendix 4.5**. Excess payment without the approval of the Government lacked authority and needed to be recovered.

UT Government in its reply stated that *ex-gratia* was paid to employees other than minimum bonus based on the practice/precedence being consistently followed in the previous years even though incurring losses. The reply was not tenable as payment of *ex-gratia* was in violation of the specific directions in this regard and accountability needed to be fixed for irregular sanction. During the Exit Conference, Chief Secretary stated that *ex-gratia* would be linked to productivity in future.

4.4.11.2 Payment of financial benefits in excess of entitlement

As per the directives (October 2008) of UT Government, the allowances to the employees of PSUs should not be higher than the entitlement of the employees of UT Government. Audit observed that three PSUs (PDL, PIPDIC and PPCL) had paid financial benefits such as cash gifts on the occasion of May Day, Deepavali, Pongal, Birthday of employee, New Year, Ayudha Pooja, Independence Day and Retirement Day, which were not the part of the Sixth CPC recommendations and thus, the employees of PSUs were not entitled to. Further, the sanction was in violation of the directives of UT Government. The Board of the respective PSUs had approved such allowances and did not seek the approval of the UT Government. The total payment on this account worked out to ₹ 8.70 crore (**Appendix 4.6**), which was irregular and needed to be recovered from the respective employees.

UT Government in its reply stated that payment of cash gifts/allowances were made by the PSUs with the approval of Board. The fact, however, remained that the sanction of gifts/allowances were in violation of the directives of UT Government for which accountability needed to be fixed.

4.4.11.3 Irregular grant of Over Time Allowances

As per the directives (October 2008) of UT Government, no Over-time Allowance (OTA) shall be paid to any employees for the extra work done without the approval of Finance Department. In case anybody was required to carry out overtime work, they may be compensated by compensatory off. Audit observed that PPCL has made OTA payment of ₹ 1.29 crore during 2013-18 to their employees based on the Board's decision (September 2009) for which approval of the Finance Department was not obtained. In the absence of the approval of the competent authority, the above payment was irregular and needed to be recovered from the employees.

UT Government in its reply stated that the OTA was made as per the Factories Act, 1948 for which approval of UT Government was not obtained. As the directives of UT Government was regularity in nature to control the expenditure, the sanction of OTA by PPCL without the approval of Finance Department lacked justification for which accountability needed to be fixed.

4.4.11.4 Additional Charge Allowance

As per the orders[38] of UT Government, officials holding the additional charges shall be entitled to Additional Charge Allowance (ACA) subject to maximum amount of ₹ 1,500 per month. Audit observed that five PSUs (PTC, PRTC, PADCO, PBCMDC and PTDC) had paid ACA over and above the entitlements *i.e*, in the range of ₹ 5,000 to ₹ 27,138 per month to officials, who were holding additional charges as Managing Director/Company Secretary. This had resulted in excess payment of ACA of ₹ 25.62 lakh (**Appendix 4.7**) during 2013-18. The excess payment was irregular and needed to be recovered from the respective officials.

UT Government in its reply stated that ACA was paid as a higher rate due to non-revision of allowance since 1999 and further, in PTC, it was allowed based on the earlier practice followed in respect of compensatory allowance paid to those holding charges at the rate of 20 *per cent* of the total emoluments excluding House Rent Allowance. However, the fact remained that PSUs did not approach UT Government for enhancement of ACA and payment at enhanced rate without approval lacked justification.

4.4.11.5 Project allowance

As per directives[39] of GOI under the Fundamental Rules and Service Rules, Project Allowance (PA) was to be granted to compensate the employees for lack of amenities such as schools, markets, housing and dispensaries in the places of construction of major projects. Audit observed that, the Engineering Wing of PADCO, which was engaged in construction of hostels, Anganwadi centres and other civic amenities works for the benefit of Scheduled Caste beneficiaries in different places under the administrative area of Puducherry, interpreted these works as "Project" for lack of amenities such as schools, markets, housing and dispensaries at the place of construction and granted PA in the range of ₹ 1,500 and ₹ 3,000 per month to its entire employees. The activities carried out by PADCO did not qualify to be classified as "Project" and the grant of PA to its employees. The total payment of ₹ 25.70 lakh during 2013-18 to 52 employees on this account was irregular and needed to be recovered from the respective employees.

UT Government in its reply stated that PA was now reduced to ₹ 1,000 to ₹ 1,500 per month. The reply was not tenable as the employees of PADCO are not entitled for PA and even at a reduced rate was also irregular for which accountability needed to be fixed.

4.4.12 Service placements to other Departments

Eleven PSUs (PDL, PIPDIC, PRTC, PASIC, PADCO, PPCL, PCDWDAP, PAPSCO, PBCMDC, PTDC and SBTML) had deputed 234 employees (112 regular employees and 122 CLR/DRL) to other Offices/ Departments/

[38] GO. Ms. No 75/99/F3 dated 21.12.1999 issued by Finance Department of UT Government.

[39] OM.No.20011/5/73-E.II(B) dated 17.01.1975 as amended vide OM.No.6(3)/2008 - E.II (B) dated 29.08.2008.

Offices of Member of Legislative Assembly/ Minister on service placement basis during 2013-18 and incurred the expenditure of ₹ 9.33 crore towards their pay and allowances. Out of total 234 employees, only 77 employees were deputed on specific written request from the respective indenting departments. In respect of the remaining 157 officials, neither written request nor the acknowledgements from the receiving departments/offices were on record. PSUs had not issued any office order to the employees indicating the place of posting, tenure and terms and conditions. In the absence of any specific orders, the genuineness of such placement could not be verified in Audit. Audit further observed that, except PTDC, other PSUs had not initiated any action to recover the entitlements paid to the service placement employees from the office concerned. This had resulted in unwarranted expenditure of ₹ 9.32 crore during the audit period to 11 PSUs (**Appendix 4.8**).

UT Government in its reply stated that steps would be taken to recall the staff placed on service placement and the expenditure incurred to be recovered from the concerned organisations. The fact, however, remained that no recovery had been initiated by the above PSUs (December 2018).

4.4.13 Defaults in remittance of EPF and ESI

As per paragraph 38 (1) of the Employees Provident Fund Scheme, 1952 (EPF) and Regulation 31 of Employees State Insurance (General) Regulations, 1950 (ESI), the employers were required to pay the contribution, subscription and administrative charges within fifteen days of close of every month and the delay in remittance would attract penalty as prescribed under the respective legislations[40]. Audit noticed that during 2013-18, eight PSUs (PTC, PRTC, PASIC, PCDWDAP, PAPSCO, PBCMDC, PTDC and SBTML) had defaulted in remittances of EPF and ESI within due dates. On account of such delay, these PSUs paid a penalty of ₹ 11.43 crore (EPF: ₹ 9.72 crore and ESI: ₹ 1.71 crore) during the above period. At the end of March 2018, six PSUs (PTC, PRTC, PASIC, PAPSCO, PTDC and SBTML) had accumulated the dues and the outstanding amount stood at ₹ 39.85 crore (EPF: ₹ 36.11 crore and ESI: ₹ 3.74 crore). Audit observed that PSUs had defaulted in remittances citing the financial crisis, further PSUs utilised the employees' subscription totalling a sum of ₹ 10.40 crore (EPF: ₹ 10.31 crore and ESI: ₹ nine lakh) for its working capital. These PSUs did not work out any viable plan to remit the statutory dues.

UT Government in its reply stated that EPF contribution had not been remitted due to heavy financial crisis and non-generation of revenue in the above PSUs. However, the fact remained that UT Government needed to evolve a viable plan to discharge the statutory obligations (December 2018).

4.4.14 As per Para 26 of EPF Scheme, if the pay of an employee exceeds ₹ 15,000[41] per month, a joint request from the employer and employee is required for contribution towards EPF on the pay over and above the limit. As

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[40] As per Section 7Q and 14 B of EPF and Miscellaneous Provisions Act, 1952 and Section 39 (5) (a) and 85 (B) of ESI Act, 1948.

[41] ₹ 6500 per month up to August 2014.

the contribution towards EPF over and above the required pay level (*i.e.*₹ 15,000 per month) involved additional financial impact, this required approval of the UT Government. Audit noticed that five PSUs (PDL, PIPDIC, PTC, PPCL and SBTML) did not take cognizance of the above provisions and continued the contribution at the higher rate irrespective of the monthly pay of the employees. This had resulted in excess contribution from employer side amounting to ₹ 6.57 crore during 2013-18. Audit observed that the PSUs did not obtain the approval of the UT Government for employer contribution over and above the minimum limit fixed under the provisions of EPF Scheme.

UT Government, in its reply, stated that PSUs had not obtained the necessary approval for payment of employer's contribution of EPF over and above the ceiling limit of ₹ 15,000.

4.4.15 Outstanding payment of salary and terminal benefits

The directives (October 2008) of UT Government stipulated that all the institutions should ensure that revenue resources are fully tapped and find ways and means to further mobilise their own revenue. Contrary to the above directives, four PSUs (PTC, PASIC, PCDWDAP and PAPSCO), did not study/analyse the alternate options to mobilise adequate resources for its operational requirements and were dependent on grants from Government for payment of salaries to its employees. Audit noticed that these four PSUs had not paid salary for a period ranging from one to 68 months to their 3,753 employees amounting to ₹ 99.74 crore (**Appendix 4.9**) due to financial crisis, non-receipt of grant and failure to increase the income of the Company. Further, five PSUs (PTC, PRTC, PASIC, PAPSCO and SBTML) had not settled the terminal benefits of retired employees in respect of gratuity including arrear of premium of Group Gratuity policy to Life Insurance Corporation and leave encashment etc., to their employees to the extent of ₹ 58.17 crore (**Appendix 4.9**). Audit observed that neither the Management of the PSUs nor the Administrative Department of UT Government had attempted to discharge the financial obligations to its own employees.

UT Government in its reply stated that PSUs could not settle the salary and terminal benefits etc., due to shortage of funds for working capital and inability to mobilise funds, however, it did not spell out any action plan in this regard (December 2018).

4.4.16 Internal Audit and Internal Control

All the PSUs had conducted internal audit through a firm of Chartered Accountants. However, a review of the scope of internal audit in PSUs revealed that the establishment matters and pay and allowances were not covered and these areas remained out of the purview of internal audit. It was further observed that these PSUs were not having effective internal check to verify the fresh appointments, grant of increments, advances to employees provident fund accounts, expenditure on salary/wages, service records and manpower analysis such as clear demarcation of functional responsibilities, allocation and actual deployment of manpower and did not institute proper system for reviewing the work load and adequacy of manpower resources periodically.

UT Government in its reply stated that PSUs had engaged Internal Auditors and the reply was not specific to the absence of internal control system.

4.4.17 Conclusion

The PSUs had not revised RR in line with the directives of UT Government. The recruitments, up-gradation, modification of posts and scale of pay were made without prior approval of UT Government and the prescribed procedures. Further, PSUs had not weeded out/redeployed surplus manpower, which resulted in unproductive wages. Besides, PSUs incurred irregular expenditure on account of cash gifts/allowances, overtime and project allowances. PSUs had not remitted the statutory dues of EPF and ESI within due date warranting avoidable payment of interest and penal charges. On account of paucity of funds, six PSUs did not pay salaries and terminal benefits to their employees for a period up to 68 months.

(**DEVIKA NAYAR**)
Principal Accountant General
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Tamil Nadu and Puducherry

Chennai
The 5th February 2020

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The 7th February 2020

Appendices

Appendix 1.1
(Reference: Paragraph 1.6; Page 8)
Details of IRs issued upto March 2018 and paragraphs pending as on September 2018

Sl.No	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
1	Accounts and Treasuries	19	56
2	Adi-Dravidar Welfare	25	149
3	Agriculture	50	206
4	Animal Husbandry and Animal Welfare	14	64
5	Art and Culture	11	51
6	Civil Supplies and Consumer Affairs	12	56
7	Collegiate and Technical Education	79	373
8	Commercial Taxes	48	288
9	Co-operation	22	130
10	Economics and Statistics	2	2
11	Election	3	9
12	Electricity	37	190
13	Fire Service	2	11
14	Fisheries and Fishermen Welfare	37	163
15	Forest and Wild Life	4	13
16	Heads of State	8	26
17	Health and Family Welfare Services	84	363
18	Hindu Religious Institutions	5	33
19	Industries and Commerce	39	146
20	Information and Publicity	4	8
21	Information Technology	6	21
22	Jails	8	29
23	Labour and Employment	23	109
24	Law/Judicial	12	36
25	Local Administration	90	506
26	Planning and Research	5	8

Sl.No	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
27	Police	10	68
28	Port	9	30
29	Public Works	102	606
30	Revenue and Disaster Management	174	554
31	Rural Development	25	94
32	Sainik Welfare	2	3
33	School Education	118	433
34	Science, Technology and Environment	10	35
35	Social Welfare	33	106
36	Stationery and Printing	3	10
37	Tourism	18	72
38	Town and Country Planning	24	134
39	Transport	61	248
40	Women and Child Development	24	113
Total		**1,262**	**5,552**

Appendix 4.1

Summarised financial position and working results of Government companies as per their latest finalised financial statements/accounts (including Power Sector)

(Reference: Paragraphs 4.2.8, 4.2.9.3 and 4.3.9; Pages 84, 88 and 99)

(Figures in Column (5) to (12) are ₹ in crore)

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit(+)/ loss(-) before interest and tax	Net profit(+)/ loss(-) after interest and tax	Turnover	Paid-up capital	Capital employed	Net worth	Accumulated profit(+)/ loss(-)
I	**Other than Power Sector**									
	A. Social Sector									
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2013-14	2017-18	(-) 6.55	(-) 7.23	124.72	9.93	(-) 17.05	(-) 17.19	(-) 27.12
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	2015-16	2017-18	2.66	2.53	1.51	14.86	4.25	2.84	(-) 12.02
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2016-17	2017-18	0.24	--	44.36	3.82	16.14	3.82	--
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2013-14	2016-17	1.84	1.45	3.65	4.19	5.64	5.64	1.45
	Sector-wise total (A)			**(-) 1.81**	**(-) 3.25**	**174.24**	**32.80**	**8.98**	**(-) 4.89**	**(-) 37.69**
	B. Competitive Sector									
	Working Government companies									
5	Puducherry Agro Service and Industries Corporation Limited(PASIC)	2012-13	2017-18	(-) 1.28	(-) 1.28	25.16	15.00	(-) 21.97	(-) 21.97	(-) 36.97
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2016-17	2017-18	(-) 4.80	(-) 4.80	7.25	112.58	113.60	113.60	1.02
7	Puducherry Tourism Development Corporation Limited (PTDC)	2015-16	2017-18	(-) 2.38	(-) 2.45	16.45	17.59	(-) 8.36	(-) 8.36	(-) 25.95

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit(+)/ loss(-) before interest and tax	Net profit(+)/ loss(-) after interest and tax	Turnover	Paid-up capital	Capital employed	Net worth	Accumulated profit(+)/ loss(-)
8	Puducherry Road Transport Corporation Limited (PRTC)	2013-14	2017-18	(-) 0.06	(-) 0.06	31.29	34.78	(-) 0.90	(-) 3.62	(-) 38.40
9	Pondicherry Textile Corporation Limited (PONTEX)	2015-16	2017-18	(-) 10.78	(-) 27.31	7.02	367.35	(-) 206.35	(-) 206.35	(-) 573.70
10	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2009-10	2012-13	(-) 9.59	(-) 11.36	10.52	28.21	(-) 14.58	(-)14.58	(-)42.79
	Sub total			**(-) 28.89**	**(-) 47.26**	**97.69**	**575.51**	**(-) 138.56**	**(-) 141.28**	**(-) 716.79**
	Non functional Government Company									
11	Pondicherry Electronics Limited (PELECON)	--	--	--	--	--	--	--	--	--
	Sub total	--	--	--	--	--	--	--	--	--
	Sector-wise total (B)			**(-) 28.89**	**(-) 47.26**	**97.69**	**575.51**	**(-) 138.56**	**(-) 141.28**	**(-) 716.79**
	C. Other Sector									
12	Puducherry Distilleries Limited (PDL)	2013-14	2016-17	6.93	4.95	36.06	8.45	51.30	51.30	42.85
	Sector-wise total (C)			**6.93**	**4.95**	**36.06**	**8.45**	**51.30**	**51.30**	**42.85**
	Other than Power Sector Total (A+B+C)			**(-) 23.77**	**(-) 45.56**	**307.99**	**616.76**	**(-) 78.28**	**(-) 94.87**	**(-) 711.63**
II	**Power Sector**									
13	Puducherry Power Corporation Limited (PPCL)	2016-17	2017-18	10.51	6.51	79.19	99.78	133.87	133.87	34.09
	Sector-wise total (D)			**10.51**	**6.51**	**79.19**	**99.78**	**133.87**	**133.87**	**34.09**
Grand total (A+B+C+D)				**(-) 13.26**	**(-) 39.05**	**387.18**	**716.54**	**55.59**	**39.00**	**(-) 677.54**

(Source: Audited Annual Accounts)

NOTE:

1. Loans outstanding represents long-term loans at the close of 2017-18.
2. Capital employed represents shareholders funds PLUS long term borrowings**.**

Appendix 4.2

(Reference: Paragraph 4.3.3; Page 94)

Summarised statement showing position of equity and outstanding loans relating to State PSUs (including Power Sector) as on 31 March 2018

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

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				UT Govern ment	GoI	Others	Total	UT Govern ment	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
I	**OTHER THAN POWER SECTOR**										
	A SOCIAL SECTOR										
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	Civil Supplies and Consumer Affairs	27 September 1990	9.88	--	0.05	9.93	--	--	2.57	2.57
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	Welfare	26 September 1986	13.18	1.68	--	14.86	--	--	--	--
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	Welfare	31 March 1993	3.82	--	--	3.82	--	9.21	--	9.21
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	Welfare	31 March 1999	4.81	--	--	4.81	--	--	--	--
	Sector-wise total (A)			**31.69**	**1.68**	**0.05**	**33.42**	**--**	**9.21**	**2.57**	**11.78**
	B COMPETITIVE SECTOR										
	Working Government companies										
5	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Agriculture	26 March 1986	15.00	--	--	15.00	--	--	--	--
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	Industries	17 April 1974	112.58	--	--	112.58	--	--	--	--

Sl. No.	Sector/Name of the Company	Name of the Department	Month & year of incorporation	Equity at the close of the year 2017-18				Long-term loans outstanding at the end of the year 2017-18			
				UT Government	GoI	Others	Total	UT Government	GoI	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
7	Puducherry Tourism Development Corporation Limited (PTDC)	Tourism	1 April 2005	17.59	--	--	17.59	--	--	--	--
8	Puducherry Road Transport Corporation Limited (PRTC)	Transport	19 February 1986	34.78	--	--	34.78	2.72	--	--	2.72
9	Pondicherry Textile Corporation Limited (PONTEX)	Industries	25 November 1985	367.35	--	--	367.35	--	--	--	--
10	Swadeshee-Bharathee Textile Mills Limited (SBTML)	Industries	4 July 2005	--	--	33.71	33.71	--	--	--	--
	Sub total (a)			**547.30**	**--**	**33.71**	**581.01**	**2.72**	**--**	**--**	**2.72**
	Non functional Government Company										
11	Pondicherry Electronics Limited (PELECON)	Industries	7 December 1982	--	--	--	--	--	--	--	--
	Sub total (b)			**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	Sector-wise total B=(a+b)			**547.30**	**--**	**33.71**	**581.01**	**2.72**	**--**	**--**	**2.72**
	C. OTHER SECTOR										
12	Puducherry Distilleries Limited (PDL)	Industries	8 December 1971	8.45	--	--	8.45	--	--	--	--
	Sector-wise total (C)			**8.45**	**--**	**--**	**8.45**	**--**	**--**	**--**	**--**
	Other than Power Sector Total (A+B+C)			**587.44**	**1.68**	**33.76**	**622.88**	**2.72**	**9.21**	**2.57**	**14.50**
II	**POWER SECTOR**										
1	Puducherry Power Corporation Limited (PPCL)	Electricity	30 March 1993	99.78	--	--	99.78	--	--	--	--
	Sector-wise total (D)			**99.78**	**--**	**--**	**99.78**	**--**	**--**	**--**	**--**
Grand total (A+B+C+D)				**687.22**	**1.68**	**33.76**	**722.66**	**2.72**	**9.21**	**2.57**	**14.50**

(Source: Details furnished by PSUs; Annual Accounts are yet to be prepared by PSUs.)

Appendix 4.3
(Reference: Paragraph 4.3.6.1; Page 97)
Details of Arrears in accounts in respect of PSUs (including Power Sector)

Sl. No.	Name of the Public Sector Undertaking	Year completed	Arrears	Number of accounts in arrears
I	**Other than Power Sector**			
A.	**Social Sector**			
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2013-14	2014-15 to 2017-18	4
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	2015-16	2016-17 and 2017-18	2
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2016-17	2017-18	1
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2013-14	2014-15 to 2017-18	4
B.	**Competitive Sector**			
5	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2012-13	2013-14 to 2017-18	5
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2016-17	2017-18	1
7	Puducherry Tourism Development Corporation Limited (PTDC)	2015-16	2016-17 and 2017-18	2
8	Puducherry Road Transport Corporation Limited (PRTC)	2013-14	2014-15 to 2017-18	4
9	Pondicherry Textile Corporation Limited (PONTEX)	2015-16	2016-17 and 2017-18	2
10	Swadeshee- Bharathee Textile Mills Limited (SBTML)	2009-10	2010-11 to 2017-18	7
C.	**Other Sector**			
11	Puducherry Distilleries Limited (PDL)	2013-14	2014-15 to 2017-18	4
II	**Power Sector**			
1	Puducherry Power Corporation Limited (PPCL)	2016-17	2017-18	1
Total				**37**

(Source: Audited Annual Accounts)

Appendix 4.4

(Reference: Paragraph 4.3.8; Page 99)

Statement showing investments made by Union Territory Government in PSUs whose accounts are in arrears (including Power Sector)

(Figures in columns 4 and 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by UT Government during the year on which accounts are in arrears		
					Equity	Loans	Grants
I	**Other than Power Sector**						
	A. Social Sector						
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2013-14	9.93	2014-15 to 2017-18	--	--	8.42
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	2015-16	14.86	2016-17 and 2017-18	--	--	0.50
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2016-17	3.82	2017-18	--	2.10	37.18
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2013-14	4.19	2014-15 to 2017-18	0.62	7.00	6.42
	Sector-wise total (A)				**0.62**	**9.10**	**52.52**
	B. Competitive Sector						
5	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2012-13	15.00	2013-14 to 2017-18	--	--	7.00
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2016-17	112.58	2017-18	--	--	--
7	Puducherry Tourism Development Corporation Limited (PTDC)	2015-16	17.59	2016-17 and	--	--	3.53

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by UT Government during the year on which accounts are in arrears		
					Equity	Loans	Grants
				2017-18			
8	Puducherry Road Transport Corporation Limited (PRTC)	2013-14	34.78	2014-15 to 2017-18	--	5.44	23.27
9	Pondicherry Textile Corporation Limited (PONTEX)	2015-16	367.35	2016-17 and 2017-18	--	--	29.58
10	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2009-10	28.21	2010-11 to 2017-18	5.50	--	34.64
	Sector-wise total (B)				**5.50**	**5.44**	**98.02**
	C. Other Sector						
11	Puducherry Distilleries Limited (PDL)	2013-14	8.45	2014-15 to 2017-18	--	--	--
	Sector-wise total (C)				**--**	**--**	**--**
	Other than Power Sector Total (A+B+C)				**6.12**	**14.54**	**150.54**
II	**Power Sector**						
1	Puducherry Power Corporation Limited (PPCL)	2016-17	99.78	2017-18	--	--	--
	Sector-wise total (D)				**--**	**--**	**--**
	Grand total (A+B+C+D)				**6.12**	**14.54**	**150.54**

Appendix 4.5
(Reference: Paragraph 4.4.11.1; Page 125)
Statement showing payment of *ex-gratia* by loss making PSUs

(₹ in crore)

Sl. No	Name of the Company	2013-14		2014-15		2015-16		2016-17		2017-18		Total *ex-gratia* paid
		Loss	*Ex-gratia* paid	Loss	*Ex-gratia* paid	Loss	*Ex-gratia* paid	Loss	*Ex-gratia* paid	Loss	*Ex-gratia* paid	
1	PDL	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2.65	0.13	0.13
2	PIPDIC	Nil	Nil	29.86	0.24	21.59	0.24	Nil	Nil	4.80	0.22	0.70
3	PTC	11.09	2.03	50.36	1.77	9.52	1.32	27.31	1.13	18.09	0.96	7.21
4	PRTC	1.45	0.39	0.06	0.39	5.36	0.38	1.20	0.26	2.67	0.30	1.72
5	PASIC	Nil	Nil	9.87	Nil	6.30	Nil	4.81	0.13	11.88	Nil	0.13
6	PADCO	1.28	0.01	1.22	0.02	1.42	0.02	Nil	Nil	Nil	Nil	0.05
7	PPCL	Nil	Nil	Nil	Nil	41.56	0.12	Nil	Nil	Nil	Nil	0.12
8	PCDWDAP	Nil	Nil	Nil	Nil	Nil	0.01	Nil	Nil	Nil	Nil	0.01
9	PAPSCO	1.44	0.26	7.23	0.27	8.36	0.27	9.32	0.27	6.83	Nil	1.07
10	PBCMDC	Nil	0.01	Nil	0.01	Nil	0.01	Nil	0.01	Nil	Nil	0.04
11	PTDC	2.54	0.20	0.06	0.20	2.91	0.20	2.45	0.19	Nil	0.19	0.98
12	SBTML	7.12	0.20	12.20	0.18	3.27	0.18	Nil	0.18	Nil	0.14	0.88
Total												**13.04**

Note:

1. Loss represents the loss incurred in the previous year based on which the bonus was paid in the subsequent financial year.
2. In respect of SBTML, PCDWDAP and PBCMDC, the PSUs were incurring losses continuously and the annual accounts are yet to be finalised.

Appendix 4.6
(Reference: Paragraph 4.4.11.2; Page 125)
Statement showing payment of inadmissible allowances and cash gifts

(₹ in crore)

Sl.No.	Festival/Event for which payment was made	Name of the PSUs		
		PDL	PIPDIC	PPCL
1	May Day	0.10	Nil	Nil
2	Deepavali cash gift	0.02	0.54	1.39
3	Pongal gift	0.71	0.28	0.57
4	Birthday gift	0.06	0.04	Nil
5	New year gift	0.09	0.02	Nil
6	Ayudha Pooja gift	0.16	Nil	Nil
7	Independence Day gift	0.10	Nil	Nil
8	Retirement Day gift	0.07	Nil	Nil
9	Medical Allowance	1.37	Nil	Nil
10	Food Allowance	0.47	Nil	Nil
11	Risk Allowance	2.30	Nil	Nil
12	Washing Allowance	0.34	Nil	Nil
13	Shut down allowance (2016-17)	Nil	Nil	0.06
14	Presumptive pay over payment	Nil	Nil	0.01
Total		**5.79**	**0.88**	**2.03**
Grand total				**8.70**

Appendix 4.7
(Reference: Paragraph 4.4.11.4; Page 126)
Statement showing excess payment of Additional Charge Allowance

(in ₹)

Sl. No.	Name of the PSU	Name of the officer and designation held S/Shri/Smt.	Amount actually paid (range)	Period	Number of months	Excess amount paid
1	PTC	K.K. Singh, Managing Director	11,287 to 14,374	18.07.2012 to 29.05.2013 and 13.03.2014 to 26.08.2014	17	1,69,522
2	PTC	G. Malarkannan, Managing Director	13,444 to 27,138	12.06.2013 to 12.03.2014 and 31.08.2014 to 30.04.2018	55	10,23,425
3	PRTC	G. Kumar, IFS, Managing Director	5,000	July 2017 to March 2018	9	31,500
4	PADCO	K. Uthaman, Managing Director	5,000	01.10.2014 to 18.01.2015	4	11,903
5	PBCMDC	S. Mohandoss, Managing Director	5,000	05.12.2011 to 05.06.2013	18	63,000
6	PBCMDC	R. Varadharajan, Managing Director	5,000	06.06.2013 to 31.10.2014	17	59,500
7	PBCMDC	R. Meenakumari, Managing Director	5,000	16.09.2015 to 31.05.2017	21	73,500
8	PBCMDC	K. Sarangapani, Managing Director	5,000	01.06.2017 to 11.09.2017	4	14,000
9	PTDC	V. Kishore Kumar, General Manager-cum-Company Secretary	10,000	01.04.2013 to 31.10.2014	19	1,61,500
10	PTDC	A.S. Sivakumar, Managing Director	8,000	01.04.2013 to 28.01.2014	10	64,226
11	PTDC	K.K. Singh, Managing Director	8,000	29.01.2014 to 24.08.2014	7	44,468
12	PTDC	R. Mounisamy, Managing Director	8,000 to 18,000	25.08.2014 to 18.12.2016	29	4,25,506
13	PTDC	S. Thirughanam, Project Engineer	15,000	04.03.2014 to 02.09.2016	30	4,19,548
Total						**25,61,598**

Appendix 4.8

(Reference: Paragraph 4.4.12; Page 127)

Statement showing entitlement incurred by PSUs for their service placement staff

(₹ in crore)

Sl. No.	Name of the PSU	Regular employees on service placement				CLR/DRLs on service placement				Grand Total
		Number of employees	Salary paid	Allowances paid	Total expenditure	Number of employees	Salary paid	Allowances paid	Total expenditure	
1	PDL	11	0.31	0.08	0.39	4	0.06	0.02	0.08	0.47
2	PIPDIC	Nil	Nil	Nil	Nil	5	0.21	0.01	0.22	0.22
3	PRTC	15	1.07	0.04	1.11	2	0.02	Nil	0.02	1.13
4	PASIC	25	**	**	1.43	14	**	**	0.24	1.67
5	PADCO	4	0.38	0.01	0.39	Nil	Nil	Nil	Nil	0.39
6	PPCL	3	0.07	0.01	0.08	2	0.08	Nil	0.08	0.16
7	PCDWDAP	3	**	**	0.24	Nil	Nil	Nil	Nil	0.24
8	PAPSCO	17	0.77	0.03	0.80	92	0.81	0.04	0.85	1.65
9	PBCMDC	1	0.08	0.00	0.08	Nil	Nil	Nil	Nil	0.08
10	PTDC	21	**	**	2.89	Nil	Nil	Nil	Nil	2.89
11	SBTML	12	0.36	0.02	0.38	3	0.04	Nil	0.04	0.42
Total		**112**			**7.79**	**122**			**1.53**	**9.32**

** Break up details were not available.

Appendix 4.9
(Reference: Paragraph 4.4.15; Page 128)
Statement showing non-payment of salaries and terminal benefits as of 31 March 2018

(₹ in crore)

Sl. No	Name of the Company	Salary up to March 2018	Period of outstanding	Number of employees	Terminal benefit category	Amount	Period of outstanding	Number of employees
1	PTC	38.18	July 2012 to November 2013 and April 2017 to December 2017	832	Gratuity payable	27.94	February 2013 to March 2018	972
					Retirement benefit fund	1.80	February 2014 to March 2018	719
					Leave encashment	3.58	July 2012 to March 2018	1,108
					Family welfare fund	0.18	July 2012 to March 2018	990
2	PRTC	Nil	Nil	Nil	Gratuity payable to LIC	10.47	2013-14 to 2017-18	520
3	PASIC	43.51	July 2011 to March 2012 and May 2013 to March 2018	510	Gratuity payable to LIC	4.60	2011-12 to 2017-18	322
					Leave encashment	1.50	2011-12 to 2017-18	322
4	PCDWDAP	3.46	March 18	1,290	Nil	Nil	Nil	Nil
5	PAPSCO	14.59	February 2017 to March 2018	1,121	Gratuity payable	0.06	February 2017 to March 2018	2
					Leave encashment	0.04	February 2017 to March 2018	2
6	SBTML	Nil	Nil	Nil	Gratuity payable	8.00	2014 to 2018	140
Total		**99.74**		**3,753**		**58.17**		

Glossary of abbreviations

Abbreviations	Full form
ACA	Additional Charge Allowance
ADFO	Assistant Divisional Fire Officer
AGM	Annual General Meeting
ATN	Action Taken Notes
BG	Bank Guarantee
BPCL	Bharat Petroleum Corporation Limited
BSNL	Bharat Sanchar Nigam Limited
CAB	Central Autonomous Bodies
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CBIC	Central Board of Indirect Taxes and Customs
CDRRP	Coastal Disaster Risk Reduction Project
CENVAT	Central Value Added Taxes
CGST	Central Goods and Services Tax
CH	Community Hall
CLR	Casual Labourer
CPC	Central Pay Commission
CS	Competitive Sector
CSP	Cercle Sportif Pondicherian
CST	Central Sales Tax
CT	Commercial Taxes
CTD	Commercial Taxes Department
CTV	Cable Televison
DFO	Divisional Fire Officer
DM	District Magistrate

Abbreviations	Full form
DRL	Daily Rated Labourers
EBIT	Earnings Before Interest and Taxes
EE	Executive Engineer
EPF	Employees Provident Fund
ESI	Employees State Insurance
FDR	Fixed Deposit Receipt
FSD	Fire Service Department
FTCL	Full Time casual labourers
GH	General Hospital
GLV	Guide Line Value
GOI	Government of India
GOTN	Government of Tamil Nadu
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
GSTIN	Goods and Services Taxpayers Identification Number
GSTN	Goods and Services Tax Network
HPCL	Hindustan Petroleum Corporation Limited
HT	High Tension
HUDCO	Housing and Urban Development Corporation
ICR	Interest Coverage Ratio
IFL	Interest Free Loans
IRs	Inspection Reports
ITC	Input Tax Credit
KVA	Kilo Volt Ampere
LAD	Local Administration Department
LPC	Last Pay drawn Certificate

Abbreviations	Full form
MACP	Modified Assured Career Progression
MBDL	Mohan Breweries and Distilleries Limited
MHFM	Modern Hygienic Fish Market
MPW	Multi Purpose Worker
NDMA	National Disaster Management Authority
NOC	No Objection Certificate
OAP	Old Age Pension
OM	Office Memorandum
OTA	Over Time Allowance
PA	Project Allowance
PAC	Public Accounts Committee
PADCO	Puducherry Adi-Dravidar Development Corporation Limited
PAN	Permanent Account Number
PAPSCO	Puducherry Agro Products, Food and Civil Supplies Corporation
PASIC	Puducherry Agro Services and Industrial Corporation Limited
PBCMDC	Puducherry Backward Classes and Minorities Development Corporation Limited
PCDWDAP	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited
PCL (ER) Scheme 2009	Puducherry Casual Labourers (Engagement & Regularisation) Scheme 2009
PDL	Puducherry Distilleries Limited
PED	Puducherry Electricity Department
PELECON	Pondicherry Electronics Limited
PFWDRS	Pondicherry Fishermen Welfare and Distress Relief Society
PGST	Puducherry Goods and Services Tax
PHC	Public Health Centre

Abbreviations	Full form
PIA	Project Implementation Agency
PIP	Persons-in-Position
PIPDIC	Pondicherry Industrial Promotion Development and Investment Corporation Limited
PONTEX	Pondicherry Textile Corporation
PPA	Puducherry Planning Authority
PPCL	Puducherry Power Corporation Limited
PRD	Planning and Research Department
PRTC	Puducherry Road Transport Corporation Limited
PSUs	Public Sector Undertakings
PTC	Pondicherry Textiles Corporation Limited
PTDC	Puducherry Tourism Development Corporation Limited
PV	Present Value
PVAT	Puducherry Value Added Tax
PWD	Public Works Department
RC	Registration Certificate
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
RR	Recruitment Rules
SAIL	Steel Authority of India Limited
SBTML	Swadeshee-Bharathee Textile Mills Limited
SCCL	Special Cleaning Casual Labourers
SCRF	Welfare of Fishermen - Saving-cum-Relief
SCUBA	Self-Contained Under Water Breathing Apparatus
SE	Superintending Engineer
SFAC	Standing Fire Advisory Committee

Abbreviations	Full form
SGST	State Goods and Service Tax
SSLC	Secondary School Leaving Certificate
ST	Sales Tax
UT	Union Territory
VAT	Value Added Tax
VLFO	Village Level Fishery Officer
VPL	Voucher Paid Labourers
WB	World Bank
WCD	Women and Child Development