

OVERVIEW

This Audit Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Union Territory Government of Pondicherry for the year 2004-05 and five others comprising two reviews, two long paragraphs and 11 paragraphs dealing with the result of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples were drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of the financial position of the Union Territory of Pondicherry and the audit findings is given below.

1 Financial position of the Union Territory Government

The revenue receipts of the Union Territory Government during 2004-05 were Rs 1,631 crore, registering an increase of 25 *per cent* over 2003-04. The revenue expenditure during the year was Rs 1,572.57 crore, an increase of 21.6 *per cent* over 2003-04. Though mobilisation of revenue from own resources increased in absolute terms, it decreased from 62 *per cent* in 2003-04 to 56 *per cent* of revenue receipts during the year. Seventy three *per cent* of the revenue expenditure was under non-plan. Fiscal liabilities grew from Rs 1,312.31 crore in 2003-04 to Rs 1,552.97 crore in 2004-05. During 2004-05, the revenue surplus and unutilised borrowed funds contributed to increase in cash balance by Rs 107.22 crore, indicating unnecessary borrowing to this extent and creation of the consequent interest liability thereon.

(Paragraphs 1.1 to 1.12)

2 Appropriation audit and control over expenditure

Appropriation Accounts present the details of amounts actually spent *vis-à-vis* the amount authorised by the Legislature. During 2004-05, expenditure of Rs 1,889.63 crore was incurred against the total grants and appropriations of Rs 1,902.72 crore, resulting in a saving of Rs 13.09 crore. Supplementary provision of Rs 152.01 crore made in nine cases was excessive resulting in savings of Rs 6.59 crore. In 23 cases, expenditure fell short by Rs 50 lakh or more in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs 23.91 crore. In nine cases,

the re-appropriation of funds was found to be excessive/unnecessary or inadequate by over Rs 5 lakh in each case.

(Paragraphs 2.1 to 2.3)

3 Schemes for improving agricultural productivity

The Tenth Five Year Plan stressed improving agricultural productivity, mainly of paddy. However, the schemes implemented during the first three years of Tenth Plan (2002-05) for achieving this objective did not make any tangible impact and the productivity of paddy remained stagnant. This review revealed inadequate coverage of areas under certified seeds, excess use of chemical fertilisers and pesticides, over exploitation of ground water resulting in soil deterioration, failure to take up soil reclamation and failure of the farmers to follow scientific methods of cultivation.

(Paragraph 3.1)

4 Port operations

The new Port at Pondicherry, was completed in 1994 to provide better facilities for cargo handling. The review of the operations of the Port disclosed that dredging operations, taken up for maintenance of the approach channel, were not carried out during the optimal period of April to August every year and in the sand trap, resulting in silting of channel. Dredging in the navigation channel resulted in widening it unnecessarily rather than retaining its depth. Moreover, lower utilisation of the sand pump resulted in additional expenditure of Rs two crore. The Department failed to construct groynes resulting in erosion of beach formed with dredged sand.

(Paragraph 3.2)

5 Implementation of Consumer Protection Act

The Consumer Protection Act, 1986 was enacted by the Parliament for better protection of the interests of the consumers. The review on implementation of Consumer Protection Act revealed that the post of President for the State Commission and District Forum was vacant for 10 and 13 months respectively during 2000-05. In 92 *per cent* of the cases, the time taken for disposal by the State Commission exceeded six months. The State Council which was to meet twice a year met only once during May 2003 to August 2005. Despite Government of India instructions issued in November 2004, the Consumer Welfare Fund was not established. Jagriti Shivir Yojana, meant for providing assistance to districts with relatively more number of families below poverty line for raising consumer awareness, was not implemented.

(Paragraph 3.3)

6 Internal Control Mechanism in Industries and Commerce Department

An evaluation of the Internal Control System in the Industries and Commerce Department revealed weaknesses in internal controls and non-compliance with rules, manual and codes in the areas of Budget preparation and expenditure and operational controls. Though Rs 4.50 crore of Central funds were lying unutilised with the Pondicherry Industrial Promotion Development and Investment Corporation Limited, the Department released Rs 1.11 crore additionally to it for the same purpose. Failure to follow-up reimbursement from the Government of India for the scheme 'Investment Subsidy' resulted in non-receipt of Rs 8.03 crore. Cash verification was not conducted and Bill Registers were not closed. Single window system created for expeditious clearance of registration of industries in Union Territory was largely ineffective as the applications received for registration of industries were not processed within prescribed time limit.

(Paragraph 5.1)

7 Audit of Transactions

Besides the above, audit of financial transactions, test checked in various Departments of the Government and their field offices revealed instances of wasteful expenditure and other irregularities involving Rs 10.48 crore as mentioned below:

Wasteful/excess expenditure of Rs 2.02 crore was noticed in Rural Development (Rs 1.50 crore), Women and Child Development (Rs 0.28 crore) and Education (Rs 0.24 crore) Departments. Besides there was wasteful expenditure of Rs 2.66 crore due to non-adoption of rates of the Directorate of Advertisement and Visual Publicity for advertisement in the newspapers by the Tourism and Information and Publicity Departments.

Avoidable expenditure of Rs 4.72 crore was noticed in Agriculture and Revenue (Rs 4.54 crore) and Education (Rs 0.18 crore) Departments. This includes payment of flood relief and cash compensation to ineligible farmers.

Apart from this, there were regularity issues and other points aggregating Rs 1.34 crore in Tourism (Rs 0.85 crore), Social Welfare (Rs 0.28 crore) and Education (Rs 0.21 crore) Departments. Among this, one case relates to delay in allotment of land from the 'land bank' for the Institute of Hotel Management and Catering Technology resulting in delay in taking up the construction of building and consequent escalation in the cost.

(Paragraphs 4.1 to 4.3)

8 Commercial transactions

As on 31 March 2005, the Union Territory had 11 Government companies including one subsidiary company. The total investment in Government companies increased from Rs 437.81 crore as on 31 March 2004 to Rs 455.51 crore as on 31 March 2005. The accounts of the five Government companies were in arrears for periods ranging from one to two years. As per the latest finalised accounts, five Government companies earned aggregate profit of Rs 16.26 crore and of this, only three companies declared dividend of Rs 1.67 crore for 2004-05. Four companies incurred aggregate loss of Rs 23.32 crore and of this, the accumulated losses of three companies had aggregated to Rs 215.09 crore, which exceeded their paid-up capital of Rs 209.91 crore.

(Paragraphs 7.2 to 7.13)