

OVERVIEW

This Audit Report includes two chapters containing observations on the Finance and the Appropriation Accounts of the Union Territory Government of Puducherry for the year 2005-06 and five others comprising four reviews, one long paragraph and 11 paragraphs (including one stock paragraph) 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. Audit conclusions have been drawn and recommendations made taking into consideration views of the Government, wherever received.

A summary of the financial position of the Union Territory of Puducherry and the audit findings is given below:

1 Financial position of the Union Territory Government

Revenue receipts of the Union Territory Government during 2005-06 were Rs 1,802 crore, registering an increase of 11 *per cent* over 2004-05. Revenue expenditure during the year was Rs 1,794 crore, an increase of 14 *per cent* over 2004-05 and it accounted for 86 *per cent* of total expenditure. The share of non-plan revenue expenditure in Revenue Expenditure was 64 *per cent*. Fiscal liabilities grew by 17 *per cent* from Rs 1,553 crore in 2004-05 to Rs 1,820 crore in 2005-06. The return on investment was on Rs 1.74 crore (0.3 *per cent*) against the Government investment of Rs 607 crore in companies and co-operatives. Union Territory Government resorted to excess borrowing than required resulting in huge accumulation of cash balance and creation of consequent interest liability thereon.

(Paragraphs 1.1 to 1.10)

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 2005-06, expenditure of Rs 2,192 crore was incurred against the total grants and appropriations of Rs 2,231 crore, resulting in a saving of Rs 39 crore. Supplementary provision of Rs 204.49 crore made in 12 cases was excessive resulting in savings of Rs 14.85 crore. In 74 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 156.85 crore and in 43 cases, the

expenditure exceeded the approved provision resulting in excess of Rs 68.30 crore. In seven 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 Tsunami Relief, Rehabilitation and Reconstruction

The Tsunami of December 2004 damaged 33 villages in the Union Territory of Puducherry. The Government provided assistance in cash and kind to the affected families. There was no comprehensive action plan to utilise funds received from Government of India. There were deficiencies in identification of beneficiaries for immediate relief and rehabilitation of Tsunami affected people. Assistance for repair/replacement of fishing crafts was delayed by 4 to 17 months after the calamity. Considerable delay was also noticed in reconstruction activities. Consequently, out of 7,567 families who were to be resettled by way of shifting to houses constructed for them, only 100 were resettled as of November 2006. Monitoring of the implementation was poor.

(Paragraph 3.1)

4 Functioning of Government General Hospitals

The four General Hospitals in the Union Territory cater to about 26 lakh patients annually. These hospitals, besides being referral units, provide general and specialised services. The review on performance of these hospitals revealed deficiency in specialised service due to lack of infrastructure and idling of equipment. Financial management was deficient as cases of overpayment of allowances and in purchase of commodities were noticed. Further, contractual terms with reference to deduction of penalty due to delayed supply of equipment was not invoked and the purchase policy of medicines was not revised while quality of medicines procured was not ensured. The vacancies in essential services resulted in the denial of such specialist services to the public. The workload of the Medical Officers and technicians was heavy. The heavy workload is likely to have an adverse impact on the quality of services.

(Paragraph 3.2)

5 Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan is being implemented to provide elementary education for all children in the age group of 6 to 14 years by 2010. A review of the implementation of the programme revealed that due to slow pace of utilisation, there was excess release of Union Territory Government share of Rs 1.31 crore during 2002-05. Delayed establishment of implementing units both at district and lower levels, non-establishment of cluster Resource Centres resulted in poor utilisation of scheme funds under various components during 2003-05. One thousand seven hundred and eighty two out of school children were remaining to be covered under the programme as of March 2005.

(Paragraph 3.3)

6 Internal Control Mechanism in Labour Department

The labour force in the Union Territory of Puducherry constitutes 33 per cent of the total population. The Department enforces 34 Labour and Factory Laws enacted to create safe working environment and to ensure the safety, health and welfare of the workers. A review of the Internal Control System in the Department revealed deficiencies in cash control as evidenced by non-reconciliation of challans, cess collection by unauthorised officials and correctness of collections not being ensured. Large number of vacancies had adverse impact upon functioning of the Department as mandatory inspections were not being carried out. System of issuance of licence and renewal suffered from numerous deficiencies and the basic records pertaining to renewal of licences and inspections were not maintained. Follow up action required consequent to inspection was not recorded and there was no internal audit mechanism in the Department.

(Paragraph 5.1)

7 Operational performance of Pondicherry Textiles Corporation Limited

The Government of the Union Territory of Puducherry took over the sick Anglo French Textiles Limited in December 1985 and renamed it as the Pondicherry Textiles Corporation Limited. Some of the important points noticed in Audit are as under:

The Company, which was earning marginal profit up to 1992-93, started incurring losses from 1993-94. The accumulated losses of the Company rose from Rs 159.64 crore in 2001-02 to Rs 250.44 crore as at the end of 2005-06, which wiped out its entire paid-up capital of Rs 230.04 crore. Low capacity utilisation and failure to achieve the norms of efficiency resulted in production loss of yarn and led to extra expenditure of Rs 10.06 crore on the procurement of yarn from outside at higher rate as compared to variable cost of in-house production during the five years ended 31 March 2006.

Failure to achieve the installed capacity and norm for efficiency in cloth output resulted in production loss of 858.86 lakh metres of cloth during the five years ended 31 March 2006. Improper production planning resulted in avoidable extra expenditure of Rs 17.84 crore. Out of Rs 28.11 crore received (including Rs 5.76 crore realised on sale of land) for the modernisation programme, the Company spent Rs 10.99 crore only on modernisation and utilised the remaining amount of Rs 17.12 crore to meet its working capital requirements. As the modernisation programme has not been completed, the amount of Rs 10.99 crore spent has not yielded the desired results and the objectives of modernisation have remained unfulfilled.

(Paragraph 7.13)

8 Audit of Transactions

Civil

Besides the above, audit of financial transactions, test checked in various Departments of the Government and their field offices revealed instances of loss of revenue, wasteful/avoidable expenditure and idle investment involving Rs 5.87 crore as mentioned below:

Infructuous expenditure of Rs 0.17 crore on payment of pay and allowance was noticed in Department of Art and Culture.

Avoidable expenditure of Rs 5.07 crore was noticed in Co-operation (Rs 4.33 crore) and Public Works (Rs 0.74 crore) Departments. This includes unnecessary/avoidable release of grants to co-operative institutions, avoidable expenditure due to the failure of the Registrar of Co-operative Societies (Co-operation Department) to ensure compliance of his order in fixing the selling price of clothes to Government and delay in giving drawings to contractor and defective finalisation of tender in Public Works Department.

A case of idle investment of Rs 63.32 lakh due to delay in commissioning electric cremator was noticed in case of Oulgaret Municipality.

(Paragraphs 4.1 to 4.3)

Revenue receipts

Cross verification in audit of assessments of six dealers in petroleum products with details of sales obtained from M/s Indian Oil Corporation Limited and M/s Hindustan Petroleum Corporation Limited, Chennai revealed suppression of turnover involving tax and penalty of Rs 22.08 crore.

(Paragraph 6.2)

Commercial transactions

As on 31 March 2006, the Union Territory of Puducherry had 12 Government companies including one subsidiary company. The total investment in Government companies increased from Rs 455.51 crore as on 31 March 2005 to Rs 480.46 crore as on 31 March 2006. The accounts of the nine Government companies were in arrears for periods ranging from one to two years. As per the latest finalised accounts, six Government companies earned aggregate profit of Rs 14.23 crore and of this, only two companies declared dividend of Rs 1.16 crore for 2005-06. Three companies incurred aggregate loss of Rs 19.79 crore and of this, the accumulated losses of two companies had aggregated to Rs 225.41 crore, which exceeded their paid-up capital of Rs 216.50 crore.

(Paragraphs 7.2 to 7.12)