

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 2006-07 and five others comprising four reviews, one long paragraph and 13 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 and Government Companies.

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 the current year increased by 4.55 *per cent* (Rs 82 crore) and revenue expenditure increased by seven *per cent* (Rs 133 crore) over previous year resulting in an increase of deficit of Rs 51 crore during 2006-07 from the revenue surplus of Rs eight crore in previous year. Given the deficit of Rs 51 crore in revenue account in 2006-07 along with an increase of Rs two crore under non-debt capital receipts accompanied with an increase of Rs 71 crore in capital expenditure and a decline of Rs one crore in disbursement of loans and advances led to an increase of Rs 119 crore in fiscal deficit during 2006-07 from the level of Rs 279 crore in 2005-06. An increase of Rs 119 crore in fiscal deficit along with an increase of Rs 16 crore in interest payments led to an increase of Rs 103 crore in primary deficit during 2006-07 from Rs 108 crore in 2005-06. Fiscal liabilities grew by 19.1 *per cent* from Rs 1,820 crore in 2005-06 to Rs 2,168 core in 2006-07. The return on investment was Rs 1.03 crore (0.1 *per cent*) against the Government investment of Rs 712.36 crore in companies and co-operatives.

(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 2006-07, expenditure of Rs 2,409 crore was incurred against the total grants and

appropriations of Rs 2,891 crore, resulting in a saving of Rs 482 crore. The savings was mainly due to reduction in plan outlay from Rs 1,410 crore to Rs 1,043.45 crore on account of non-materialisation of loan from Housing and Urban Development Corporation Limited, non-drawal of loan from World Bank for Emergency Tsunami Rehabilitation Project and lesser mobilisation of funds by the Government. Supplementary provision of Rs 93.07 crore made in four grants was excessive resulting in savings of Rs 4.93 crore. In 102 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 601.92 crore and in 58 cases, the expenditure exceeded the approved provision resulting in excess of Rs 130.46 crore. Grants-in-aid of Rs 6.37 crore was drawn in advance and kept in deposit by implementing organisations. Rupees 3.61 crore were spent on new schemes without the approval of the Legislature.

(Paragraphs 2.1 to 2.4)

3 Review on Urban Water Supply Schemes

The Public Works Department implemented a number of water supply schemes mainly to create additional resources/infrastructure to augment the existing water supply. Audit scrutiny of these schemes revealed extraction of ground water in excess of requirement and supply of water in excess of norms prescribed by Government of India resulting in creation of unnecessary infrastructure and wastage of water.

(Paragraph 3.1)

4 Educational Development of Scheduled Castes

Government of India implements various educational schemes to upgrade the educational levels of the weaker sections of the society. A review of efforts at promoting educational development of Scheduled Castes in Puducherry showed that funds for implementing book bank scheme and pre-examination coaching were not sought from Government of India. The Department had not ensured disbursement of scholarships to students by the Heads of Institutions and the system followed for processing of application for scholarships was deficient. The Department had not ensured payment of scholarships to all eligible students; the department paid scholarships of Rs 28.97 lakh to ineligible students and made excess payment of Rs 17.11 lakh by not following Government of India guidelines.

(Paragraph 3.2)

5 Functioning of the computerised billing system in the Government Automobile Workshop, Puducherry

The workshop has a computerised billing system for the supply of fuel and for expenditure incurred on repairs to Government vehicles. The software developed in-house was not tested. Absence of a master data base for different vehicles resulted in data entry of incorrect vehicle numbers,

supply of fuel to private vehicles, supply of fuel without indents, supply of different types of fuel to the same vehicle, etc. The deficiencies made the system and database unreliable.

(Paragraph 3.3)

6 Internal Control in Civil Supplies and Consumer Affairs Department

The Department is responsible for enforcement of Essential Commodities Act, 1955 as amended in 1984, Consumer Protection Act, 1986 and Rules and Orders framed thereunder. Poor expenditure control resulted in accumulation of grants-in-aid of Rs 4.60 crore with Pondicherry Agro Products, Food and Civil Supplies Corporation Limited. The instruction of Government of India was not followed to identify the really poor and vulnerable section of the society and to stop supply of kerosene to ration card holders having Liquefied Petroleum Gas connection. There was no system to watch the renewal of licenses by fair price shops. There was shortfall in inspection of Fair Price Shops. There was no internal audit/separate vigilance wing in the Department.

(Paragraph 5.1)

7 Performance of the Pondicherry Industrial Promotion Development and Investment Corporation Limited

The Company has been promoting industrial development in the Union Territory since inception (April 1974). The Company's performance in promotion of industrial development was on the decline as it had not planned for the integrated development of industries in the Union Territory. During the period under review, the Company developed only one industrial growth centre at Karaikal partially.

Delay in completion of industrial growth centre at Karaikal resulted in cost overrun of Rs 2.28 crore. Selection of location without conducting feasibility study and market survey resulted in lack of demand of plots in the growth centre.

The Company failed to review and revise the lease rent periodically resulting in loss of revenue. Failure to revise the rate for maintenance charges periodically and non-inclusion of salary and allowances of maintenance staff while arriving at the maintenance cost resulted in loss of Rs 2.21 crore.

Failure to scrutinise the project reports to ensure profitability and marketability of products, sanction of loans to loss incurring units, and failure to ensure availability of sufficient working capital by units resulted in non-recovery of dues amounting to Rs 5.48 crore.

Poor monitoring and follow up of outstanding dues resulted in non-recovery of dues amounting to Rs 10.79 crore.

(Paragraph 7.12)

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 avoidable/unfruitful expenditure/liability of Rs 21.46 crore as mentioned below:

Women and Child Development Department failed to utilise the rice supplied by Government of India for the scheme of supply of rice free of cost to ration card holders resulting in additional expenditure of Rs 11.21 crore. Avoidable expenditure/liability of Rs 6.66 crore was noticed in Education (Rs 1.65 crore), Public Works (Rs 3.41 crore) and Revenue and Disaster Management (Rs 1.60 crore) departments.

Godown constructed by Pondicherry Marketing Committee at a cost of Rs 19.30 lakh was not utilised by farmers to store their produce for sale during favourable season and Rs 3.40 crore were blocked due to non-recovery of unutilised subsidy from the beneficiaries of housing scheme by Pondicherry Slum Clearance Board and release of funds to 'Land Purchasing Agency' without ascertaining the viability of purchasing agricultural land for distribution to landless rural Scheduled Castes.

(Paragraphs 4.1 and 4.2)

Revenue receipts

Inaction on the part of the Department to enforce the condition of allotment under the Land Acquisition and Development Scheme resulted in foregoing revenue of Rs 94.93 lakh and non-remittance of Rs 14.05 lakh.

(Paragraph 6.10)

Commercial transactions

As on 31 March 2007, the Union Territory of Puducherry had 13 Government companies including one subsidiary Company. The total investment in Government companies increased from Rs 480.46 crore as on 31 March 2006 to Rs 604.45 crore as on 31 March 2007. The accounts of the 11 Government companies were in arrears for periods ranging from one to three years. As per the latest finalised accounts, five Government companies earned aggregate profit of Rs 18.28 crore and of this, only one company declared dividend of Rs 81.00 lakh for 2006-07. Five companies incurred aggregate loss of Rs 33.48 crore and of this, the accumulated losses of three companies had aggregated to Rs 258.21 crore, which exceeded their paid-up capital of Rs 236.12 crore.

(Paragraphs 7.2 to 7.11)