

OVERVIEW

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This Report includes two chapters containing the observations of audit on the Finance and Appropriation Accounts for the year 1999-2000 and five other chapters comprising 7 Audit Reviews and 25 Paragraphs arising from the audit of financial transactions of the Union Territory Government. A synopsis of the findings contained in the audit reviews and important paragraphs is presented in this overview.

1 Finance Accounts of the Union Territory Government

Revenue receipts of the Union Territory Government were Rs 877 crore against which the revenue expenditure was Rs 845 crore, resulting in a revenue surplus of Rs 32 crore.

Capital receipts of the Union Territory Government comprised Rs 130 crore from public debt and Rs 4 crore from recoveries of loans and advances. As against this, the expenditure comprised Rs 103 crore on capital outlay, Rs 10 crore on disbursement of loans and advances and Rs 43 crore on repayment of public debt. The excess expenditure was met from revenue surplus.

Revenue receipts comprised tax revenue (Rs 260.59 crore), non-tax revenue (Rs 218.47 crore) and grants-in-aid from Government of India (Rs 398.42 crore). The increase compared to 1998-99 was 17 *per cent*. The share of tax revenue in the revenue receipts was 30 *per cent*, non-tax revenue was 25 *per cent* and grants-in-aid was 45 *per cent*. The revenue receipts grew at an average annual rate of 26 *per cent* during 1995-96 to 1999-2000.

Grants-in-aid from Government of India which forms major share of revenue receipts decreased by 2 *per cent* compared to 1998-99. Rupees 1.77 crore received in 1999-2000 for implementing Centrally Sponsored Schemes was transferred to deposit head, thereby understating the grants-in-aid to that extent. The grants obtained to cover non-plan deficit was Rs 265.86 crore, while the actual deficit was only Rs 233.95 crore; thus excess grants had been sought.

Revenue expenditure accounted for 84 *per cent* of total expenditure, and was up by 23 *per cent* during 1999-2000 compared to the previous year. Of this, the non-plan expenditure constituted 76 *per cent*. Interest payments increased by 79 *per cent* from Rs 42 crore in 1995-96 to Rs 75 crore in 1999-2000, pointing to increased debt burden.

The capital expenditure which grew by 31 *per cent* in 1998-99 over the previous year declined by 7 *per cent* in 1999-2000, mainly due to

decline in the capital outlay. Repayment of loans to Government of India constituted 28 *per cent* of the capital expenditure in 1999-2000. The outstanding balance of loans and advances given by the Government was Rs 55.81 crore at the end of 1999-2000.

Total investment of the Union Territory Government in Public Sector Undertakings, Corporations and Co-operative Societies increased from Rs 313.44 crore in 1998-99 to Rs 358.79 crore in 1999-2000. Return from these investments during 1995-96 to 1999-2000 was, however, meagre and ranged from 0.2 to 0.4 *per cent* only. Ten out of eleven companies with a total investment of Rs 302.87 crore had not paid any dividend during 1999-2000 and seven of these companies had not declared any dividend during the past seven to nine years.

Only 67 *per cent* of the loans and advances received from Government of India were available for use, the balance 33 *per cent* being utilised for repayments due. The outstanding loans and advances have been rising year after year and reached Rs 698.35 crore in 1999-2000.

The Union Territory Government incurred expenditure on payment of compensation amount to the Land Acquisition Officer and on purchase and distribution of petrol, oil and lubricants from the Public Account of the Union Government instead of from the Consolidated Fund of the Union Territory.

(Paragraph 1.3 to 1.11)

2 Appropriation Audit and control over expenditure

Appropriation Accounts present the details of amounts actually spent *vis-a-vis* the amount authorised by the Legislature. Audit of Appropriation Accounts revealed -

Supplementary provision of Rs 178.66 crore constituted 21 *per cent* of original budget provision. Supplementary provision of Rs 85.05 lakh obtained in two grants and one appropriation were unnecessary as the expenditure was less than original grant, while supplementary provision of Rs 136.71 crore made in 21 grants was excessive resulting in savings of Rs 3.73 crore.

In 85 cases under 16 grants, expenditure fell short by more than Rs 10 lakh and also by more than 10 *per cent* of the total provision. In 70 cases under 13 grants, the expenditure exceeded the approved provisions by more than Rs 10 lakh and also by more than 10 *per cent* of total provision.

In 43 cases under 13 grants, the re-appropriation of funds was found to be either excessive or unnecessary or inadequate by over one lakh.

Expenditure of Rs 2.47 crore incurred without the approval of the Legislature, on 7 schemes over and above the budget provisions which was in excess of the limit prescribed by the Committee on Public Accounts, constituted New service/New instrument of service.

In 8 schemes, Rs 1.93 crore drawn during March 2000 were not actually spent during the year.

The Public Works Department did not take effective action to clear the amount booked under 'Suspense' heads indicating irregularities such as non-accounting of receipt of materials, inflated issue rates, existence of surplus and unserviceable materials, non-apportionment of expenditure to job works, etc.

(Paragraph 2.1 to 2.5)

3 Integrated Audit of Education Department - Elementary Education

The objectives of 100 per cent enrolment of children between age of 6 and 14, and their retention in elementary education, had not been achieved due to lack of co-ordinated effort in implementing free supply schemes and provision of buildings and support services such as water, electricity, etc. There was shortfall in enrolment; dropouts and failures were high in middle level. The quality of education imparted was not assessed.

The following are some of the significant points noticed in Audit:

The shortfall in enrolment in middle level ranged between 15 and 23 per cent.

Dropout ratio ranged between 0.4 and 2.5 at primary level and 12.4 and 17.6 at middle level.

Minimum level of learning tests were not conducted to ensure the quality of education.

Infrastructure facilities were inadequate in schools. 42 per cent of schools were not provided with pucca buildings and 87 per cent schools were without adequate sanitary facilities. Water, electricity and playground facilities were not available in 21, 18 and 54 per cent of schools respectively.

Distribution of textbooks to the same beneficiaries varied widely between subjects.

In spite of existence of posts of Secondary Grade Teachers in excess of the norms, further recruitment of teachers was made in 1999-2000 resulting in a recurring liability of Rs 80.52 lakh per annum.

(Paragraph 3.1)

4 Implementation of Prevention of Food Adulteration Act, 1954

The Act envisaged the availability of unadulterated food articles and drinks (other than drugs) to consumers, protecting them from fraudulent trade practices and providing guidance/norms to manufacturers/dealers of food articles. A review of the implementation of the Prevention of Food Adulteration Act during 1995-2000, revealed that there was lack of co-ordination between the Food (Health) Authority and local authorities in issuing and renewing licences and no system was evolved to ensure that all food establishments were brought within the purview of licencing. The reasons for shortfall in collection of samples were not analysed for remedial action. This shortfall contributed to low capacity utilisation of the Food Testing Laboratory. No norms were prescribed for the number of Food Inspectors required either in terms of population or area covered. No prosecution was initiated in 53 per cent of the cases of adulteration noticed. No programme for increasing consumer awareness was drawn up. Thus, the implementation of the Prevention of Food Adulteration Act was deficient and was just carried on through the years without any programme for improvement.

The following are some of the significant points noticed:

Wide variations were noticed in the issue and renewal of licences during the years 1995-96 to 1999-2000. There was a decline in number of licences issued during 1998-99 and 1999-2000 in Pondicherry and Karaikal regions as compared to 1995-96.

Delay in issue of licences defeated the objective of licencing in 33 cases in Villianur Commune Panchyat and Pondicherry Municipality.

Heavy shortfall in collection of samples of food articles was noticed in Pondicherry and Karaikal.

(Paragraph 3.2)

5 National Family Welfare Programme

The programme aimed at bringing down the birth and death rates through various family planning measures and providing medical services, medicines, incentives, etc., free of cost at the door steps of the community. A review of the implementation of the programme covering the period from 1995-96 to 1999-2000 revealed that the infrastructure facilities in Primary Health Centres and Community Health Centres were very poor and the rural people had to depend on District Hospitals for their health care. The motivation of the community to adopt small family norms was not effective and there were deficiencies in the health care services provided to expectant mothers and children. Consequently, the goals of '21 per 1000' for Birth

Rate, 'below 2 per 1000' for Maternal Mortality Rate and 'less than 25 per 1000' for Infant Mortality Rate were not achieved.

Medical officers in charge of Post Partum centres had spent less amount than prescribed norms on payment of compensation to acceptors even though enough funds were released by Government of India.

Though more number of Rural Family Welfare Centres than the prescribed norms were established, the rural population had to depend only on District Hospitals for their emergency obstetric needs as specialist posts were not created in Community Health Centres.

Due to deficiency in the health care services provided to expectant mothers, the Maternal Mortality Rate exceeded the national goal of 'below 2 per 1000' during 1995-99.

Of infants to whom BCG vaccine was provided during 1995-2000, only 52 to 60 per cent were provided with other vaccines, though adequate quantity of vaccines was available.

(Paragraph 3.3)

6 Slum Clearance and Improvement Schemes

The Government implemented 'Slum Upgradation Programme' and 'Environmental Improvements in Urban Slums' to provide land/tenements to slum dwellers and facilities in the existing slums. Despite the creation of Pondicherry Slum Clearance Board for the specific purpose of improving slums, funds were provided only as deposits by Town and Country Planning Department instead of providing as grants or loans. The areas requiring clearance were not declared. Improvement works and construction of tenements were taken up without any master plan and overall objective. Consequently, 258 slums out of 304 identified were not provided with all facilities.

Some of the significant points noticed are:

Funds were released to Pondicherry Slum Clearance Board as deposits for implementation of the schemes instead of as grants in contravention of the provisions of the Slum Areas (Improvement and Clearance) (Pondicherry Amendment) Act, 1986.

The unspent balance of deposit with Pondicherry Slum Clearance Board which was Rs 1.22 crore at the beginning of 1995-96 increased to Rs 5.74 crore at the end of 1999-2000.

Inordinate delay in completing preliminary works was noticed due to non-availability of Technical Officer above the rank of Executive Engineer

in Pondicherry Slum Clearance Board and the vacancy of the post of Chairman for over one year.

Though 304 slums were identified, no comprehensive Master Plan had been prepared for improvement. Only 46 slums were provided with all facilities as of March 2000.

No action was taken to evict unauthorised occupants from the tenements/plots in spite of recommendations by the Public Accounts Committee to evict the encroachers and avoid encroachments in future. On the other hand, the number of unauthorised occupants increased and Government has decided to allot the tenements on lease-cum-sale basis by charging market value from the unauthorised occupants.

(Paragraph 3.4)

7 Implementation of Environmental Acts and Rules relating to Water Pollution

Environmental Acts and Rules envisaged prevention and control of water pollution and maintenance or restoration of the wholesomeness of water. Though Pondicherry Pollution Control Committee was formed in 1992 to implement the Environmental Acts and Rules, no separate staff was sanctioned to it. Consequently, instead of testing ground and surface water at regular intervals, it conducted tests only whenever complaints were received, thereby defeating its objective.

The quality of drinking water in the Union Territory was not satisfactory and there was no co-ordination among Health Department, Public Works Department, Pondicherry Pollution Control Committee and the local bodies regarding maintaining the quality of drinking water supply. 5.06 lakh persons were affected by water borne diseases during 1995-2000.

Ground and surface water in all the four regions of the Union Territory did not satisfy the prescribed standards.

Industries discharged harmful effluents and dumped industrial wastes in the open yard, thereby contaminating ground water.

No Common Effluent Treatment Plants were provided nor was there any scientific documentation on the impacts of industrialisation.

(Paragraph 3.10)

8 Implementation of flood control works in Karaikal region

Flood in Karaikal region causes breaches in the banks of rivers and channels, deposit of shoal resulting in obstruction of free flow of water,

inundation of agricultural lands causing damage to standing crops and loss to livestock. A detailed study of the implementation of the flood control works in Karaikal region for the period from 1995-96 to 1999-2000 revealed that there was no master plan for carrying out the flood protection works in this region. As works were taken up in intermittent stretches only, the objective of flood protection of the region was not achieved. No budget proposals were made and the expenditure was confined to available funds. Though targets were set in terms of area proposed to be stabilised through the flood protection work, achievements were reported in terms of the length of the rivers and channels improved or deepened. Adoption of higher rate in the execution of desilting work in one case and failure to assess the quantity of work correctly in another case had resulted in extra liability of Rs 23.50 lakh.

(Paragraph 4.3)

9 Urban Employment Generation Programme

Urban Employment Generation Programmes are implemented to provide employment potential as a means for poverty alleviation. In the Union Territory, there was poor performance under Nehru Rozgar Yojana, Prime Minister's Integrated Urban Poverty Eradication Programme and Swarna Jayanthi Shahari Rozgar Yojana leading to a huge unutilised cash balance. The high level of literacy and the higher wages available in private sector had rendered these schemes superfluous. Though the targets for loan sanction under Prime Minister's Rozgar Yojana have been achieved, there was shortfall in disbursement. Due to lack of follow up action, the impact of the scheme in alleviating urban poverty could not be assessed.

Some of the significant points noticed are:

Poor performance under Nehru Rozgar Yojana, Prime Minister's Integrated Urban Poverty Eradication Programme and Swarna Jayanthi Shahari Rozgar Yojana resulted in unutilised balance of over Rs 3.55 crore as of March 2000.

Community Organisations were not involved in the implementation of the scheme.

Project profiles/shelf of projects contemplated in the guidelines were not prepared.

Delay in payment of wages ranging from 15 to 89 days were noticed in 12 instances in three Municipalities.

Due to delay in formation of Pondicherry Urban Development Agency, monitoring of the schemes had not been taken up.

(Paragraph 5.1)

10 Pondicherry Industrial Promotion Development and Investment Corporation Limited

The Pondicherry Industrial Promotion Development and Investment Corporation Limited was incorporated in April 1974 to promote industrial growth and development of industries in the Union Territory of Pondicherry by providing financial assistance and by construction of industrial estates.

A review of the activities of the company during the period 1995-2000 revealed -

The share of the Company in the industrial growth in the Union Territory of Pondicherry during the last five years ending 1999-2000 was only 45.68 and 11.49 *per cent* in terms of assisted units and the amount invested respectively.

The Company had foregone Rs 1.57 crore due to non-collection of maintenance charges from the allottees, despite specific provision in the lease agreement for allotment of industrial plots.

The Company's failure to insist on collateral security and delayed seizure of vehicles on default had resulted in non-recovery of Rs 2.14 crore extended to the transport sector.

Sickness of the assisted units and consequent non-recovery of the dues was mostly on account of defective pre-sanction appraisal. As against the net recoverable amount of Rs 62.71 crore as on 31 March 2000, an amount of Rs 48.93 crore was overdue for recovery due to defective project appraisal and ineffective follow-up.

(Paragraphs 7.5)

11 Sectoral review on the implementation of Gas-based Power Project by Pondicherry Power Corporation Limited

In order to meet the shortfall in supply of power from Central Generating Stations and Tamil Nadu Electricity Board to the Government of Pondicherry, Pondicherry Power Corporation Limited established a gas based power project with a capacity of 32.5 MW. The project was completed in December 1999 and thereafter, the commercial production commenced in January 2000.

A review of the implementation and performance of the project revealed -

Against the project cost of Rs 62.53 crore approved by Planning Commission, the actual project cost had gone upto Rs 137.77 crore till January 2000. There was also time overrun of 76 months in implementation of the project.

Delay in implementation and consequential non-drawal of gas from September 1998 to February 1999 led to infructuous expenditure of Rs 2.91 crore on payment towards minimum guaranteed off-take of natural gas and transportation charges.

Due to delay by the supplier in delivering and commissioning the main plant, there was loss of generation of 265.43 million units valued at Rs 49.64 crore.

Non-inclusion of two gas booster compressors within the turnkey contract had resulted in avoidable expenditure of Rs 5.47 crore.

(Paragraph 7.6)

12 Indira Awaas Yojana

This scheme is implemented to provide grants-in-aid to people below poverty line living in rural areas for construction of dwelling units. The Project Director, District Rural Development Agency, who implemented the Centrally Sponsored Scheme had not followed the guidelines issued by Government of India regarding selection of beneficiaries and construction of houses. Consequently, the funds released to provide dwelling units at a cost of Rs 20,000 to shelterless rural poor was utilised to benefit urban people and to assist those who proposed to construct large houses at high cost. Though the scheme contemplated the involvement of Gram Sabha/Panchayat, they were not involved in the implementation of the scheme. No evaluation of the impact of the scheme was made.

(Paragraph 5.6)

13 Blocking of funds

(i) Delay in clearing the encroachment by the Director, Adi-Dravidar Welfare and failure to adhere to the cost ceiling and estimate furnished by Government of India resulted in blocking of Rs 20.22 lakh and non-achievement of objective of providing hostel facilities to girl students for over 8 years.

(Paragraph 3.5)

(ii) The construction of hostel rooms by Pandit Jawaharlal Nehru College of Agriculture far in excess of requirement resulted in blocking of funds to the tune of Rs 1.74 crore.

(Paragraph 5.3)

14 Extra expenditure

(i) The acceptance of higher rates in the purchase of lungies from Co-operative Societies by the Registrar of Co-operative Societies resulted in extra expenditure of Rs 26.97 lakh.

(Paragraph 3.6)

(ii) Failure of the Principal Engineer to assess the quantity of Profile Corrective Course before awarding a road work resulted in additional expenditure of Rs 49.75 lakh.

(Paragraph 4.1)

(iii) Failure of the Pondicherry Institute of Post Matric Technical Education to undertake proper investigation of the site before taking up the construction of Polytechnic building at Karaikal resulted in extra expenditure of Rs 48.53 lakh.

(Paragraph 5.4)

15 Additional liability

(i) Wrong inclusion of land required for another reach resulted in adoption of higher value for acquiring land for a road work and consequent additional liability of Rs 0.22 crore to Government.

(Paragraph 4.2)

(ii) The avoidable delay in furnishing designs and detailed estimate on the part of the Superintending Engineer, Public Works Department and the failure of the Commissioner, Mahe Municipality in not considering the contractor's claim for escalation resulted in the non-completion of shopping complex besides additional liability of Rs 13.75 lakh to the Municipality.

(Paragraph 5.5)

16 Indiscriminate release

(i) Of the share capital assistance of Rs 4.40 crore released to Pondicherry Tourism and Transport Development Corporation Limited during 1997-2000 for purchase of buses, Rs 2.62 crore were diverted for administrative expenses and salaries.

(Paragraph 3.8)

(ii) Government continued to release share capital assistance to Pondicherry Textile Corporation Limited for modernisation programme, although the Corporation used it mostly to meet its cash losses. Out of

Rs 52.30 crore released to the Corporation during 1995-99, only Rs 4.72 crore was utilised for modernisation.

(Paragraph 3.9)

17 Non-levy and short levy of taxes

(i) Incorrect grant of exemption on inter-state sale of goods for Rs 303.80 crore, manufactured by 48 small scale industries resulted in non-levy of tax amounting to Rs 11.83 crore.

(Paragraph 6.7)

(ii) Incorrect classification of 143 Light Motor Vehicles as Maxi Cabs resulted in short levy of Rs 13.90 lakh.

(Paragraph 6.8)

18 Government Companies

As on 31 March 2000, there were ten Government Companies (including two subsidiaries) in the Union Territory of Pondicherry with total investment of Rs 331.74 crore (equity : Rs 322.08 crore; long term loan : Rs 6.33 crore; share application money : Rs 3.33 crore). Of the ten Government Companies, accounts of nine companies were not finalised within the time schedule and were in arrears for periods ranging from one to five years. According to the latest finalised accounts of ten Government Companies, six companies incurred an aggregate loss of Rs 21.73 crore and the remaining four companies earned an aggregate profit of Rs 6.51 crore. The accumulated loss of Rs 105.93 crore suffered by Pondicherry Textiles Corporation Limited had far exceeded the aggregate paid-up capital of Rs 98.42 crore.

(Paragraphs 7.2 and 7.3)