CHAPTER III

CIVIL DEPARTMENTS

SECTION – A

AUDIT REVIEWS

3.1 System of accounting in Electricity Department (Electricity Department)

Highlights*

The absence of a Stores Manual and the failure of the department to follow the procedure as stipulated in Central Public Works Department where similar accounts are operated, led to large-scale variation between the accounts and stores figures. The computerisation of stores account without adequate input control, validation checks and processing control rendered the system unreliable. Pro forma accounts for activities of quasi-commercial nature were not prepared from 1995-96 onwards.

The significant points noticed are given below:

- The department did not follow the prescribed accounting procedure which led to non-settlement of bills for want of funds.

(Paragraph 3.1.4(i))

- The software used for stores accounting lacks input and processing controls and validation checks.

(Paragraph 3.1.4(vi))

- There was delay in purchase of cables leading to delay in completion of an urgent work and cost escalation of Rs 14.80 lakh.

(Paragraph 3.1.6.1(ii))

- Failure to arrange payments in time towards purchase of power had cost the department Rs 37.27 lakh by way of rebate foregone

(Paragraph 3.1.6.2)

3.1.1 Introduction

The Electricity Department is responsible for the purchase, transmission and distribution of electricity in the Union Territory (UT) of Pondicherry and execution of electrical works entrusted by Government and other agencies as deposit works. The department also maintains the electrical installation of various Government departments.

3.1.2 Organisational set up

The department is headed by a Superintending Engineer (SE) I, who is responsible for planning and is assisted by two SEs and 10 Executive Engineers (EEs). The Financial Controller assisted by a Senior Accounts

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Abbreviations used in this review are listed in the Glossary at Appendix 26 (Page 144)

Officer (SAO) heads the Accounts Section. SE II who is responsible for inventory control is assisted by another SAO in maintaining stores accounts. Stores Superintendent heads the Central Stores at Pondicherry and the Executive Engineer (EE) of the department maintains the works accounts.

3.1.3 Audit coverage

The system of accounting for the period from 1996-97 to 2000-2001 was reviewed during December 2000 and March 2001 in the Electricity Department at Pondicherry and office of the EE, Karaikal.

3.1.4 Accounting of stores

Poor accounting procedure followed by the department led to creation of liabilities

(i) The cost of materials purchased for Central Stores is met from the budget provision under a separate head '4801-05-799- Suspense - Stock' and the issue of materials to works are credited to this head. The department has no Stores Manual of its own and had to follow the provisions of Central Public Works Accounts Code where accounting procedure for such transactions was prescribed. The department however failed to follow these codal provisions. The department neither operated the suspense head 'MPSS Account' nor booked the value of materials received through Director General of Supplies and Disposals (DGS&D) under the 'Suspense - Stock' immediately on its receipt. This enabled the department to utilise the funds available under 'Suspense - Stock' for effecting more purchases. Consequently, when the Director of Accounts and Treasuries, Pondicherry (DAT) received the DGS&D bills, enough funds were not available to book the expenditure under 'Suspense - Stock'. The department did not provide for these liabilities in the budget for the subsequent years also. The DGS&D bills which were pending adjustment at the end of each year are as under:

(Rupees in crore)

Year	Opening Balance	Value of		Closing Balance
		Bills received	Bills adjusted	
1996-97	NA	3.94	0.41	3.53
1997-98	3.53	5.19	5.08	3.64
1998-99	3.64	2.92	4.34	2.22
1999-2000	2.22	4.23	5.82	0.63
2000-2001	0.63	4.86	5.13	0.36

NA : Not available

Thus, due to poor accounting system, the department did not assess the requirement of funds for purchase of stores and failed to clear the dues of DGS & D in full.

The department accepted the audit observations and assured to follow the correct accounting procedure with the approval of Government.

(ii) Though only the cost of material purchased for Central Stores was to be booked under the head 'Suspense - Stock', the department booked also the pay and allowances of helpers engaged for maintenance of stores amounting to Rs 31.20 lakh during 1996-2000. The department contended that this expenditure was debited to 'Suspense - Stock' as storage charges were included in pricing. This contention was not tenable as the head is not intended to accommodate such expenses.

(iii) Apart from the value of stores issued to works, the head 'Suspense - Stock' was also credited with the departmental charges and storage charges. Further, the issues of materials to deposit works were reflected in the accounting only after the completion of the work and sale of materials to other departments was reflected only when the borrowing departments settled the bills. This was an incorrect procedure.

Large variations between Stores ledger and accounts figures

(iv) The Stores Superintendent maintains the transactions in terms of quantity and value in the Stores Ledger and the Accounting section records the value of stores transactions under 'Suspense - Stock'. The correctness of the stores accounting can be verified by comparing the transactions in the two accounts and reconciling the difference every year. The department had not effected such reconciliation. As the Accounts section records transactions other than actual cost of purchase and issue of materials under 'Suspense-stock', there was large variation between this account and the Stores Ledger. The department accepted the audit observations.

(v) The following balances are available for a period of more than 5 years in the suspense accounts.

(a) The suspense head 'Purchase' was discontinued from April 1996. As this head would be credited by contra debit to work or stock at the time of receipt of material, it should always show a credit balance; but there was debit balance of Rs 2 crore as of March 2000.

(b) The charges in respect of jobs executed by various manufacturing units of the department were debited to the head 'Workshop Suspense' pending recovery or adjustment. There was a balance of Rs 1.24 crore as of March 2000 under this head, which meant that recovery/ adjustment was not made promptly.

There was lack of input and processing controls and validation checks in the software used for stores accounting

(vi) The Central Stores consists of 10 sections headed by a store keeper each who were provided with a computer connected on-line to record all transactions of stores. All items of stores, all work orders and all indenting sections were codified. The purchase orders, goods received/rejected, goods taken to stock, total value of stock were fed into the computer which worked out the issue rate and value of issues. One Assistant Engineer and one Junior Engineer were in-charge of Electronic Data Processing (EDP). The defects noticed in the system were as under:

Software defects

(a) Though there was some stock, the issue rate was Zero in 18 cases.

(b) Work order numbers were not serially generated by the system.

(c) Some materials had more than one code and unit of measurement was not standardised.

(d) The software provided for capturing only excesses found during physical verification but not shortages

Input controls

(a) Total value of purchase orders differed from details of purchase orders captured through the software. 103 purchase orders were fed more than once. Years of purchase orders were erroneously entered.

(b) In 469 cases, quantity supplied less defective items did not agree with quantity taken to stock, due to failure to input the rejected numbers

(c) One work order was issued to more than one indenting section

(d) Indent numbers were not sequential.

(e) In respect of inter-store issues, the issue and receipt did not tally.

Other defects

(a) The opening balance, receipt and issue extracted from the transaction files, did not agree with the data furnished by the Stores.

(b) Back-up data were not kept in external medium.

(c) There was no operating manual. All the transaction data were fed into computer on-line by the Store Keepers and no counter-check of the input data was made, resulting in erroneous input.

(d) The value of material received against a purchase order was fed by more than one Store Keeper by working out the value of the items dealt by him. The payments made by SAO for that purchase order was not compared with the accounts in stores to verify the correctness of the stores record.

Thus, there was lack of input control, validation checks and processing control which made the system unreliable. The department agreed to rectify the defects.

(vii) In Karaikal Sub-stores, materials worth Rs 44.78 lakh were issued on hand receipts to Junior Engineers during 1995-2000 and were not accounted for in the Ledger till March 2001. The department stated that action had been taken to regularise the cost of materials drawn on hand receipts.

(viii) The department had not maintained any Material at site account as per codal provisions for the purpose of identifying receipt of materials from Stores, issue to the contractors and balance with value. Instead, an 'Initial account' was maintained recording the quantity and value of receipts and the labour charges incurred and an 'Estimate card' indicating the materials required and received. Test check revealed that there were discrepancies between the quantity drawn as recorded in the 'Initial account' and 'Estimate card'. The department accepted the audit observation and assured to maintain Material-at-site account

3.1.5 Preparation of pro forma Accounts

Lack of accountability for the use of Public funds in Departmental Commercial Undertaking.

Activities of quasi-commercial nature are performed by the Electricity Department. This department is to prepare *pro forma* accounts in the prescribed format annually showing the results of financial operation so that Government can assess the results of its working. The Secretary to Government has to ensure that the undertakings which are funded by the budgetary release, prepares the accounts in time and submit the same to the Accountant General (Audit) I, Tamil Nadu and Pondicherry for Audit.

The department had not finalised the *pro forma* accounts from 1995-96 onwards and accounts of 1993-94 and 1994-95 were not certified by the Accountant General as the accounts were not supported by proper documents. The Financial Controller stated in reply to an audit query (October 2001) that accuracy of *pro forma* accounts could not be ensured as they were prepared by collecting particulars from various sections/divisions, since basic registers like Fixed Assets Register, Depreciation Register, General Ledger, Debtors Ledger, Creditors Ledger, Trial balance etc., essentially required for the preparation of *pro forma* accounts were not maintained in the department.

Though the failure to prepare the *pro forma* accounts was repeatedly commented in the previous Audit Reports, the department failed to take action and had not finalised its accounts for the past 5 years. Government took no effective steps to set right the position. As a result, the working of the department could not be evaluated. However, a statement showing the provisional physical and financial performance of the department for three years ending 2000-2001, as furnished by the department, is given in Appendix 11.

3.1.6 Other points of interest

3.1.6.1 Procurement of materials

(i) Government of India (GOI), Department of Power, delegated powers to the Electrical Engineering Officers of UT and stated that powers of technical officers which were not exercisable by the officers of the Electricity Department of UT by virtue of their status, should be exercised by the Central Electricity Authority (CEA). According to this delegation, the Chief Engineer or CEA had powers to fix annually the limit of Reserve Stock in the various divisions of the department.

(a) As the department did not have any CE, it obtained the approval for the Reserve Stock limit from CEA. It was seen that the department obtained only post-facto approval of the Reserve Stock limit and the approval for 1996-97 was not received as of March 2001. The details were as under:

Reserve Stock limit had no meaning

(Rupees in crore)

Year	Reserve Stock limit proposed (in months requirement)	Month of proposal	Month of approval
1996-97	4	June 1996	Not received
1997-98	5	February 1999	July 1999
1998-99	5.5	February 1999	July 1999
1999-2000	5.5	August 1999 and April 2000	May 2000
2000-2001	5.5	November 2000	Not received

As the fixing of Reserve Stock limit is mainly to avoid overstocking, obtaining *post facto* sanction, based on stock availability, did not serve any purpose.

The department accepted the delay in sending the proposals and assured to obtain the sanctions in advance.

(b) Based on the instructions of CEA, the department constituted a Committee for regular review of physical stock. The Committee fixed (July 1999) the Reserve Stock limit for Sub-stores and sections of Central Stores and minimum, maximum and re-order level for the materials. It was seen that this Reserve Stock limit was exceeded in 7 to 17 months during August 1999 to March 2001 in the following Sub-stores/Sections:

Sub-stores/Sections	Limit (Rupees in lakh)	Number of months in which the limit was exceeded	Range of excess stocking (Rupees in lakh)
Mahe	15	7	0.30 - 7.97
Yanam	20	9	0.92 - 7.63
Service Connection	10	12	0.28 - 6.45
Tools and Plant	30	17	0.30 - 6.27
Street lights	30	1	0.28

The department accepted the overstocking.

(c) According to the delegation of powers by CEA, the SE has powers to purchase stock upto a maximum value of Rs one lakh through DGS&D and Rs four lakh through open tender per division per annum. The UT Government, in December 1995, delegated financial powers without prejudice to the powers delegated by GOI and fixed Rs five lakh per annum per item as ceiling. It was, however, seen that the SE II exceeded these limits.

Non-purchase of material in time led to time and cost overrun

(ii) In order to avoid power crisis, the department proposed to lay 11 Kilovolt underground cable from Marapalam to Golconda ring main system. Based on Government sanction, the EE II, requisitioned 5391 metres (m) of cable from Central Stores in October 1997. The work was divided into 8 reaches and work orders issued for two reaches in March 1998 and for the remaining in May 1998. SE II, however, procured only 3100 m in July 1998. The cable was sufficient to complete only 50 *per cent* of work. Though the remaining works commenced between December 1998 and May 1999, the SE purchased 2420 m of cable in July 2000 only. Consequently, the works were delayed and completed only in April 2001. Besides the time overrun, the department incurred an avoidable expenditure of Rs 14.80 lakh towards cost escalation of cable. The department stated that the procurement was restricted to 3100 m in July 1998 due to budget constraints. This contention was not tenable as the department had surrendered Rs one crore during 1998-99.

(iii) Government constituted (November 1990) a Quality Control Committee to assess the quality of materials purchased in Central Stores. However, the quality of materials purchased for works directly were not assessed.

(iv) As of March 2001, cost of materials (Rs 17.09 lakh) issued to other departments during 1995-2000 was not realised.

3.1.6.2 Rebate foregone

Rebate of Rs 37.27 lakh foregone due to non-settlement of bills on due date.

According to the agreement entered into with Neyveli Lignite Corporation the department is eligible for a rebate of one *per cent* on the advance payment and on the difference between the actual bill and the advance payment if it makes the payments within the prescribed due dates.

It was seen that the advance payments for January 1999 to May 1999 and the payment against bills relating to May to August 1998 and January 1999 to July 1999 were not made on the due dates. Scrutiny of the records of the department revealed that the Finance Department did not provide funds requested by the Electricity Department in time[7], the Electricity Department failed to obtain sanction in advance to avoid delay in presentation of the bill[8] and the cheques for these bills which were marked "Immediate" were not issued by DAT on the same or the next day[9]. The avoidable delay cost the Government Rs 37.27 lakh by way of unavailed rebate.

When pointed out, the Finance Department stated (September 2001) that sufficient funds could not be provided during 1998-99 due to cut imposed

[7] **Advance payments for January to March 1999 and bills for January and February 1999**

[8] **Advance payments for May 1999 and bills for April to June 1999**

[9] **Advance payments for April 1999 and bills for May to August 1998, March 1999 and July 1999**

by Government of India on the grant to cover revenue gaps and that the bills are now being presented through 'Special Messengers' to avoid delay. This contention was not tenable as there was a cash balance of Rs 8.95 crore at the end of 1998-99. The delays were not justified as the payments were inevitable and postponement would result in loss by way of rebate foregone.

The matter was referred to Government in August 2001; reply had not been received (December 2001).

3.2 Implementation of Environmental Acts and Rules relating to Air Pollution and Waste Management (Science, Technology and Environment Department)

Highlights*

The Pondicherry Pollution Control Committee has no comprehensive programme for the prevention and control of air pollution in the Union Territory of Pondicherry. The quality of air was continuously deteriorating and the Pondicherry Pollution Control Committee has no data on the number of air polluting industries in the Union Territory. Vehicle emission checks revealed that emissions by about 20 per cent of the vehicles were above the prescribed limit. Disposal of Bio-medical waste and Municipal Solid Wastes was not as per Rules.

The significant points noticed are given below:

- As the Pondicherry Pollution Control Committee's expenditure on its activities and establishment were met by the Government, the release of Seed Capital of Rs 50.56 lakh was not justified.

(Paragraph 3.2.4 (i))

- Pondicherry Pollution Control Committee did not adhere to the prescribed stipulations in checking ambient air quality.

(Paragraph 3.2.5.1 (iii) (a))

- Pondicherry Pollution Control Committee inspected the industries only at the time of renewal of consent or when complaints were received. Consequently, industries running without renewing the consent were not inspected.

(Paragraph 3.2.5.1 (iv) and (v))

- No data was available regarding the quantity of Municipal Solid wastes generated in all the local bodies and the waste collected was not disposed of in the manner prescribed in the rules.

(Paragraph 3.2.5.4 (iii))

3.2.1 Introduction

The process of urbanisation and industrialisation had resulted in the environment being contaminated, threatened, damaged or destroyed thereby affecting the life of living organisms and depletion of natural resources.

Abbreviations used in this review are listed in the Glossary at Appendix 26 (Page 144)

With a view to control air pollution, Government of India (GOI) enacted the Air (Prevention and Control of Pollution) Act, 1981. A more comprehensive Act, viz., Environment (Protection) Act, 1986 was subsequently enacted as umbrella Act to cover all aspects of environmental pollution. Under this Act, GOI framed the Hazardous Wastes (Management and Handling) Rules, 1989 and 2000, Bio-medical Waste (Management and Handling) Rules, 1998 and 2000, Municipal Solid Wastes (Management and Handling) Rules, 2000 and Noise Pollution (Regulation and Control) Rules, 2000, for prevention and control of pollution of air and for waste management.

For implementing the Act and the Rules framed thereunder, a Central Pollution Control Board (CPCB) was constituted by GOI. The Union Territory (UT) Government constituted the Pondicherry Pollution Control Committee (PPCC) as an autonomous body in April 1992 for discharging the functions of the CPCB in the Union Territory.

3.2.2 Organisational set up

The Secretary (Environment) to the Government of Pondicherry was the Chairman of PPCC and the Director of the Department of Science, Technology and Environment (DSTE) as Member Secretary of PPCC carried out the activity of PPCC with the assistance of staff of DSTE.

3.2.3 Audit coverage

The implementation and compliance of the Environment (Protection) Act, 1986 and various Rules framed thereunder with reference to air pollution and waste management was reviewed during December 2000 to May 2001 by perusing the records of DSTE, Directorate of Medical Services, Directorate of Industries, Directorate of Local Administration, Police Department and Transport Department, covering the period from 1995-96 to 2000-2001.

3.2.4 Resource allocation and financial management

Though the PPCC had been constituted in April 1992 itself yet it was not vested with administrative and financial powers by the Government. Even after the grant of financial autonomy from April 1999, the PPCC did not have administrative autonomy to appoint staff. Consequently, the activities of PPCC were undertaken by the staff of DSTE and the Government met the establishment and other expenditure of the PPCC through its budget. During the course of its activities, PPCC realised revenue from Central Government towards its share of collection of water cess, grant from CPCB, consent fees and monitoring and analytical charges from industries, reimbursement of expenditure incurred on central schemes from CPCB. The PPCC remitted the revenues so collected upto 1998-99 into Government account and retained the receipts from April 1999, when it was granted financial autonomy.

During 1995-2001, Government spent Rs 1.54 crore on establishment (Rs 0.73 crore), other activities of PPCC (Rs 0.31 crore) and Seed Capital to PPCC (Rs 0.50 crore). Out of Rs 52.04 lakh realised as revenue during 1999-2001 (excluding the Seed Capital received from Government), PPCC spent only Rs 4.42 lakh.

The following observations are made :

Release of Seed Capital not justified

(i) The Government releases Seed Capital to newly formed societies/autonomous bodies to stabilise them upto a stage when they could run independently. It was seen that Government released Seed Capital to PPCC from March 1999 although the expenditure on PPCC activities and establishment were met by Government till March 2001. Hence, the release of Rs 50.56 lakh as Seed Capital by Government was not justified.

Non-utilisation of funds released by GOI

(ii) CPCB sanctioned Rs 32.95 lakh (February 2000) for purchasing 12 equipment for PPCC laboratory, to upgrade it from C to B category. It released Rs 8 lakh in March 2000 with a condition to utilise it within 60 days to purchase any two of the equipment mentioned in the sanction and furnish Utilisation Certificate to enable it to release of further instalments. The PPCC, however, did not utilise the money till March 2001 and stated (July 2001) that CPCB failed to furnish the specifications and source for effecting the purchase. This contention was not tenable as PPCC took up the matter with CPCB belatedly in July 2000 only and in spite of receipt of the details in November 2000, the equipment were not purchased.

3.2.5 Physical performance

3.2.5.1 Air pollution

Air pollution means the presence in the atmosphere, of any air pollutant viz., any solid, liquid or gaseous substance including noise in such concentration as may be or tend to be injurious to human beings or other living creatures or plants or property or environment. GOI declared (January 1988) the whole of the UT of Pondicherry as air pollution control area and PPCC was to monitor the compliance of the standards regarding ambient (atmospheric) air. For this purpose, PPCC follows the standards prescribed by CPCB for various parameters of air quality.

The functioning of PPCC to control air pollution is discussed below:

No comprehensive programme

(i) PPCC was to plan a comprehensive programme for the prevention, control or abatement of air pollution and to secure the execution thereof. In spite of its existence from 1992, PPCC has no scientific documentation on impact of industrialisation. Only in November 1999, PPCC requested the Town and Country Planning Department of Pondicherry to prepare a Zoning Atlas to give a clear idea on zoning of different industries in the UT of Pondicherry. Similarly, Pondicherry Industrial Promotion, Development and Investment Corporation Limited (PIPDIC) was requested to initiate action for preparing a detailed Environment Impact Assessment and Environment Maintenance Plan for the industrial estates of Pondicherry as well as for the growth centre at Karaikal. The Industries Department was also directed to conduct a comprehensive study to decide on the issue of clearance to new pollution potential units. No report has been received from any of them so far. Thus, PPCC has no comprehensive programme for the prevention and control of air pollution.

(ii) Though PPCC was to advise the Government on any matter concerning the prevention, control or abatement of air pollution, it had not reported the status of pollution revealed by the vehicle emission tests conducted by it to the Union Territory Government for initiating necessary remedial action.

(iii) PPCC was to collect and disseminate information relating to air pollution. Under centrally sponsored projects, PPCC checks the quality of ambient air at three places in Pondicherry viz. (a) French Institute (Sensitive Area), (b) Pondicherry Housing Board Complex (commercial area) and (c) PIPDIC Industrial Estate, Mettupalayam (Industrial area) and reports to CPCB.

The following deficiencies were noticed:

Poor air quality in sensitive area

(a) CPCB prescribed the norms for ambient air quality for the three categories of areas. The results of check of the quality of air during 1995-2001 as against the norms are furnished below.

(Annual average)

	Commercial area			Sensitive area			Industrial area		
Parameters	**SPM**	**SO_2**	**NO_x**	**SPM**	**SO_2**	**NO_x**	**SPM**	**SO_2**	**NO_x**
Standard (mg/cum)	**140**	**60**	**60**	**70**	**15**	**15**	**360**	**80**	**80**
Year									
1995	200	35	63	114	19	38	230	83	91
1996	248	45	41	126	19	19	319	91	50
1997	281	43	39	125	20	25	389	112	70
1998	270	17	30	133	21	23	435	115	85
1999	188	19	30	112	18	19	410	97	82
2000	161	18	24	128	12	15	198	32	35
2001	133	13	22	100	12	20	128	19	22

It may be seen that the SPM in the air was more than the prescribed limit in all the areas in Pondicherry and the other two parameters were also more than the standard in sensitive and industrial areas till 1999.

Prescribed stipulations in checking of air quality not adhered to

(b) CPCB stipulated that the quality of air was to be checked at the three nominated stations for a continuous period of 24 hours thrice a week. PPCC however had not conducted the checks during October 1999 to December 1999 in the industrial area and during September 1999 to June 2000 in the sensitive area. Besides, it conducted checks only twice a week and the period of observation was reduced to 8 hours in two stations and 16 hours in one station. The Environmental Engineer of DSTE stated that the deficiency was on account of non-availability of qualified staff.

(c) CPCB directed PPCC, in November 1996, to include the monitoring of lead and carbon monoxide in addition to sulphur dioxide (SO_2), Oxides of Nitrogen (NO_x) and Suspended Particulate Matter (SPM). PPCC had not monitored lead and carbon monoxide as of March 2001 as the required equipment were not available and no effort was made to procure the equipment.

(d) In addition to PIPDIC Industrial Estate, there were three more industrial estates in Pondicherry, where the quality of air was not monitored by PPCC. Further, PPCC had not monitored the quality of air in the three outlying regions.

Number of air polluting industries not known

(iv) PPCC was to advise the UT Government with respect to the suitability of any premises or location for carrying on any industry which is likely to cause air pollution. The Industries Department which receives the applications for setting up industries refers them to PPCC if considered potentially air polluting. PPCC issues No Objection Certificate (NOC) after verifying the suitability of the location and specifying the pollution control measures to be adopted to prevent air pollution. The industries could commence production only after obtaining consent from PPCC which would be issued for specified period after verifying the pollution control measures adopted. The industries are to renew the consent after the expiry of its validity. During 1995-2001, PPCC issued 883 air consents. However, the number of air polluting industries was not on record.

Consents not renewed as per schedule

PPCC categorised the industries into high potential (Red), moderate potential (Orange) and low potential (Green) for the purpose of renewal of consent considering the shortage of manpower. PPCC identified 679 industries located in 8 out of 15 local bodies and categorised 216 as Red, 172 as Orange and 291 as Green. Though the Red, Orange and Green category industries were to renew consent every year, once in two years and once in three years respectively and a minimum of 399 units out of 679 were to have renewed their consent every year, only 151, 155 and 229 industries renewed their consent in the years 1999, 2000 and 2001 respectively. PPCC accepted that the industries which have not renewed their consents have not been inspected due to shortage of manpower and press notice was issued directing them to obtain consent. Thus, despite a large number of industries not having renewed their consent, the PPCC did not check whether the pollution control measures adopted were as per standards in such cases.

Periodical inspection not conducted

(v) Though the Act provided for inspection of air polluting industries and areas at reasonable intervals to assess the quality of air and take measures for control of pollution, the records did not reveal that such inspections were ever conducted; PPCC inspected the units only when complaints were received. Test check revealed that a chemical industry which was running without valid consent order was identified only when a reference was received from Tamil Nadu Industrial Investment Corporation Limited.

From the above it is evident that the PPCC had not carried out the functions entrusted to it under the Air (Prevention and Control of Pollution) Act, 1981, effectively.

3.2.5.2 Vehicular emissions

Vehicle emission checks conducted only in one region

As smoke emitted by automobiles has tremendous potential to pollute ambient air, the Central Motor Vehicles Rules 1989, provided for checking of vehicles, regarding emission, by Transport and Police Departments. It was seen that the Transport Department conducted emission checks only for vehicles coming for fitness certification. Out of 1623 tests conducted during 1994-2001, the emission was found to be above the prescribed limits in respect of 355 vehicles (Petrol driven 10 *per cent*; Diesel driven 29 *per cent*). It was further seen that the Police Department purchased (March 1998) pollution gas analyser for fitting into three interception vehicles but the equipment were not fitted in the vehicles. The Police Department registered 550 cases for over smoking during the years 1999 and 2000 utilising the two equipments purchased in December 1998. Though PPCC acquired equipment for conducting emission test in July 1995 and May 1998, the tests were conducted only in Pondicherry region during 1999 and 2000, which revealed that 20 *per cent* of the vehicles were emitting smoke above the permitted limit. PPCC had neither conducted any emission tests in other regions nor recommended any periodicity to vehicle owners to have their vehicles emission checked. Thus, PPCC has not taken any effective measures to control air pollution through vehicles.

3.2.5.3 Noise pollution

Noise pollution control - a non-starter

Though the Air Pollution Act, 1981 included noise as a pollutant of ambient air, PPCC had not taken any action and the sound level meters procured in March 1993 and March 2000 for monitoring industrial noise pollution were not put to use. When the Noise Pollution (Regulation and Control) Rules, 2000 were framed by GOI, PPCC recommended (September 2000) to Government to appoint Senior Superintendent of Police, Law and Order as the Designated Authority for monitoring this pollution. The categorisation of areas as residential, commercial, industrial and silence zones as envisaged in the Rules was not done.

3.2.5.4 Waste management

The Environment (Protection) Act, 1986 envisaged treatment of pollutants, the management and handling of three categories of wastes viz., hazardous, bio-medical and solid wastes which were indicated in the respective Rules framed in the years 1989, 1998 and 2000. A review of the management of the wastes in the UT revealed the following:

Hazardous waste disposed of within industrial units concerned

(i) Hazardous Wastes (Management and Handling) Rules, 1989, identified 18 categories of industrial wastes like cyanide wastes, metal finishing wastes, wastes from paints, dyes, waste oil, phenol, asbestos, etc. as hazardous. The amended Rule of 2000 listed 44 processes generating hazardous wastes and 79 waste substances with concentration limits. As per the rules any person generating hazardous waste shall be responsible for the disposal of such waste. PPCC is the competent authority to issue authorisation permitting collection, reception, treatment, transport, storage and disposal of hazardous wastes. PPCC issued 15 authorisations (10 in 1996-97 and 5 in 1999-2000) prior to amendment of rules and 58 authorisations after amendment. PPCC had stated that the hazardous wastes were collected and stored properly in an impervious flooring within the industrial units concerned and that no complaint was received (March 2000).

Bio-medical waste not disposed of as per rules

(ii) The Bio-medical Wastes (Management and Handling) Rules, 1998 defined "bio-medical waste" as any waste which is generated during diagnosis, treatment of immunisation of human beings or animals or in research activities pertaining thereto or in the production or testing of biologicals and has listed 10 categories of bio-medical wastes and the method of their treatment and disposal. PPCC did not have data on the amount of bio-medical wastes generated and collected by the hospitals to identify the treatment facilities required by them.

It was seen that hospitals did not dispose of the bio-medical wastes as required under the rules and action was being taken to install the waste treatment facilities by December 2002.

(iii) Municipal Solid Wastes (Management and Handling) Rules, 2000 defines "municipal solid waste" as commercial and residential wastes generated in a municipal or notified area in either solid or semi-solid form excluding industrial hazardous wastes but including treated bio-medical wastes. Management of municipal solid wastes involves collection, storage, segregation, transportation, processing and disposal of municipal solid wastes and every municipal authority shall be responsible for it within its area. While degradable material from municipal solid wastes can be used to manufacture the compost, the non-degradable material and building debris in municipal solid wastes can be used for land filling. PPCC was entrusted with the monitoring work only.

Non-availability of data on wastes generated

The details collected from 11 out of 15 local bodies in the UT regarding the collection and disposal of the municipal solid wastes is given in Appendix 12. It could be seen therefrom that there was short collection of wastes in three municipalities, the method of disposal of which was not ascertainable. In respect of other local bodies, the quantity of wastes generated was not available. Further, the wastes collected were dumped in the dumping yard earmarked or in a place away from town only by three municipalities and the other local bodies disposed of the waste mainly by dumping in low lying areas or waste land or poramboke land. It was also seen that no compost manufacture was undertaken by any local body except Mahe Municipality.

The land purchased by Mahe Municipality in March 1989 for use as dumping yard could not be used due to public protest and the Municipality dumped its wastes in burial ground. As this was also objected to by the public, the High Court of Madras ordered (December 1998) not to dump the wastes in the burial ground which caused environmental pollution and health hazard to the residents. Consequently, the municipality evolved a scheme to convert the bio-degradable wastes into compost in private land as a temporary measure and proposed to dispose the other waste in the disposal plant planned to be constructed by the Kerala State Rubber Co-operative Limited with contributions from local bodies of Kerala State and Mahe Municipality. The method of disposal of non-degradable wastes till the completion of construction of plant was not known.

3.2.6 Evaluation

PPCC conducted a study on the impact of pollution in urban areas of Pondicherry in October 2000 and proposed the following action plans :

Municipal solid wastes: Door-to-door collection, creation of awareness among public, involvement of community were recommended.

Bio-medical waste: Development of guidelines for hospital waste management, training to sanitation personnel, involvement of voluntary sector, creating awareness among patients were recommended.

Vehicular emission: Reduction of registration of diesel vehicles (two and three wheelers), curtailing overloading of passengers in three wheelers, regular emission checking by vehicle owners, identifying adulteration of fuel and creation of mass awareness were recommended.

Noise pollution: Implementing the rules on use of electric and air horns, creation of mass awareness, use of mufflers in generators were recommended.

It was, however, seen that the extent of air pollution in Pondicherry region and the impact of pollution on environment in Karaikal, Mahe and Yanam were not assessed. As Pondicherry has been classified as the highly polluted area in the country by the Central Statistical Organisation and 90 *per cent* of existing high pollution potential units did not meet the prescribed standards and there were practical difficulties in controlling pollution, PPCC decided in November 1999 not to consider pollution potential/hazardous unit for registration till completion of studies entrusted to Town and Country Planning Department, PIPDIC and Industries Department. However, no time limit was prescribed for completion of these studies.

The above points were referred to Government in August 2001; reply had not been received (December 2001).

SECTION – B
AUDIT PARAGRAPHS

AGRICULTURE DEPARTMENT

3.3 Unwarranted expenditure on flood relief works

Government released funds for flood relief works without proper assessment of ground realities. Consequently, Rs 78.53 lakh spent on input subsidy was unwarranted and Rs 55.11 lakh was blocked outside the Government Account.

Based on the instructions of the Government (January 1999), the Director of Agriculture sent (May 1999) a detailed report on assessment of damages caused by the heavy rain on the standing paddy and other crops in Pondicherry, Karaikal and Yanam Regions during October-December 1998 and sought Rs 1.39 crore for taking relief measures. The central team which visited the affected areas during April and June 1999 recommended Rs 1.38 crore which was accepted by the Inter-Ministerial Group of Government of India (GOI) in September 1999. Accordingly, Government provided Rs 1.38 crore in the Revised Estimate 1999-2000 and sanctioned (March 2000) Rs 77.20 lakh for providing input subsidy, Rs 40.80 lakh for providing subsidy for land reclamation and other related works and Rs 20 lakh for creation of 'seed reserve'. As the land reclamation works were undertaken by the farmers and the department could not assess the correct damage to extend the subsidy, it sent (July 2000) proposals for diversion of the amount sanctioned for land reclamation to the other components viz., input subsidy and seed reserve. Accordingly the Government issued (September 2000) revised sanction for providing input subsidy in Pondicherry and Karaikal regions (Rs 80 lakh), and flood relief works in Yanam region (Rs 28 lakh) and creation of seed reserve (Rs 30 lakh). As of June 2001, Rs 78.53 lakh was spent for input subsidy in Pondicherry and Karaikal regions, Rs 2.89 lakh was spent for flood relief in Yanam region and a seed reserve of Rs 30 lakh was created.

A detailed scrutiny of the records revealed the following:

(a) Government in March 1999 anticipated bumper harvest due to heavy rain in December 1998 and sanctioned price incentive to the farmers of Pondicherry and Karaikal regions to compensate the loss sustained by them due to distress sale of paddy at a price much below the Minimum Support Price fixed by GOI. Thus, the heavy rain actually benefited the farmers. The actual production/productivity of paddy during Samba season of 1998-99 also showed sharp increase over that of 1997-98 samba season. Thus, the release of input subsidy of Rs 78.53 lakh on the ground that the crops were damaged during heavy rain was not justified. Incidentally, it was seen that as against the damage of 6170 hectare of paddy crop in Karaikal reported by the Director in his May 1999 report, the Government ordered to provide subsidy for 7000 hectare.

Government stated (October 2001) that the price incentive was provided for paddy raised in other harvesting seasons and the increase in the area of damaged crop in Karaikal was due to rectification of certain omissions in the initial reporting. The contention of Government was not tenable as there was increased production during Samba harvesting season of 1998-99 and there was no report to the Director from the field officers regarding the omissions.

(b) Though GOI sanctioned Rs 36.24 lakh for Yanam region towards release of input subsidy (Rs 1.54 lakh) and for land reclamation and other allied works (Rs 34.70 lakh), the Government allocated Rs 28 lakh for Yanam region for input subsidy. The Director of Agriculture spent Rs 1.54 lakh towards input subsidy for 1998 floods and Rs 1.35 lakh for input subsidy for floods during the year 2000 and called for proposals to spend the balance amount from Regional Executive Officer, Yanam. Government stated (October 2001) that the amount would be spent for providing long term flood protection measures. This contention was not tenable as GOI approved Rs 59 lakh for flood protection separately. Thus, the Government failed to assess the ground realities before release of funds resulting in keeping Rs 25.11 lakh outside the Government account. The release of funds in advance and subsequent attempts to find ways and means to spend it was contrary to financial principles.

(c) Though the GOI had not approved the proposals for creation of seed reserve, the Government ordered to create a reserve fund of Rs 30 lakh. Government stated (October 2001) that the seed reserve, created to meet cost of seed procured at higher cost at time of calamity situation, would avoid recurring expenditure in future. This contention was not tenable as reserve was created from out of funds provided for other purposes and the amount was kept outside Government account.

3.4 Wasteful expenditure on payments of incentive to ineligible farmers

The failure of the Director of Agriculture to ensure that the payment of incentive was made in accordance with the intention of the Government orders, resulted in wasteful expenditure of Rs 96.68 lakh, being payment to ineligible farmers.

To alleviate the suffering of the farmers due to distress sale of paddy on account of bumper harvest in 1998, the Director of Agriculture (Director) proposed a price incentive of Rs 10 per quintal of paddy procured through

Marketing Committee, Pondicherry Agro Products Food and Civil Supplies Corporation Limited (PAPSCO) etc from the farmers of Pondicherry and Karaikal. Accordingly, Government sanctioned Rs 16 lakh in March 1999 with permission to draw the amount in advance for placing it with the Pondicherry Marketing Committee. The Director also proposed continuation of the scheme in 1999-2001 on the ground that distress was caused to the farmers on account of failure of monsoon and lower yield, increase in cost of inputs and that similar incentive was provided by the Government of Tamil Nadu. The quantum of incentive was increased to Rs 30 per quintal from April 1999 and Rs 150 lakh was sanctioned during 1999-2001. (Rs 30 lakh in 1999-2000; Rs 120 lakh in 2000-2001).

It was noticed that the proposal as well as the Government sanction envisaged the payment of incentive to farmers of Pondicherry and Karaikal who sold their produce to the Marketing Committee, PAPSCO etc. A detailed scrutiny of the actual payments made by the Pondicherry Marketing Committee, during the period from April 1999 to May 2001 revealed that out of a total incentive of Rs 141.93 lakh paid by the Committee, Rs 96.68 lakh was paid to farmers of Tamil Nadu.

The payment of incentive to farmers of Tamil Nadu was not the intention of the Government. The Director of Agriculture failed to verify whether the payment of incentive was made only to eligible farmers of Pondicherry. The payment of incentive to ineligible farmers resulted in wasteful expenditure of Rs 96.68 lakh.

The Government accepted (December 2001) the audit observation and stated that the identity of the farmers of the Union Territory could not be established clearly due to absence of foolproof mechanism and particulars given to Audit by the committee was based on the residential status regardless of place of cultivation. This contention was not tenable as the incentive was given exclusively for the farmers of the Union Territory on the analogy of disbursement of similar incentives given by Tamil Nadu Government to their farmers at the Direct Purchase Centres and the Government should have evolved a mechanism to ensure that incentive is paid only to the farmers who own land in the Union Territory, before implementing the scheme.

CO-OPERATION DEPARTMENT

3.5 Ineffective expenditure on release of share capital assistance

The release of Rs 4.45 crore as share capital for the modernisation and expansion programme of the Pondicherry Co-operative Sugar Mill without proper evaluation resulted in erosion of the entire capital due to continuous losses over the years.

The Pondicherry Co-operative Sugar Mills (Mill) administered by an officer of Government at Secretary level had a licenced crushing capacity of 1250 Metric Tonne (MT) per day of cane and the mill increased the crushing capacity to 1750 MT per day during 1994-95 by installing machines costing Rs 3.05 crore out of its own source. Based on the requests of the Mill for Government assistance to increase the crushing capacity to 2500 MT per day by modernising and expanding the Sugar Mill at a cost of Rs 14 crore and setting up of a co-generative plant at a cost of Rs 42 crore to produce power to augment profit, Government released share capital assistance of Rs 7.95 crore[10] during 1995-96 to 2000-2001. In addition, Government also released share capital assistance of Rs 4.45 crore[11] during the years 1997-98 to 2000-2001 to the Mill for meeting increased cane price and bonus. As of March 2001, Government invested Rs 17.25 crore in the Mill. During March 2001, Government released Rs 3 crore as grants-in-aid to the Mill for making payment to cane growers.

The following points were noticed:

(i) The amount of Rs 4.45 crore released by Government as share capital for meeting the current expenses such as payment of cane price and bonus to employees was erroneous because the amount released does not constitute investment as no corresponding asset was created in the Mill to represent the investment. Thus the assistance turned out to be a grant though shown as investment in the Government Accounts. Utilisation of share capital for running expenses was against financial prudence, as share capital and long term loans should be used for acquiring fixed assets. Incidentally it was seen that the Mill paid Rs 3.07 crore as bonus during 1996-99 as against the minimum eligible bonus of Rs 0.83 crore based on the directives of the Government.

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[10] **1995-96 : Rs 50 lakh; 1996-97 : Rs 50 lakh; 1998-99 : Rs 1.85 crore; 1999-2000 : Rs 2.25 crore; 2000-2001 : Rs 2.85 crore**

[11] **1997-98 : Rs 1.50 crore; 1998-99 : Rs 85 lakh; 1999-2000 : Rs 1 crore and 2000-2001 : Rs 1.10 crore**

(ii) The performance of the Mill during 1994-95 to 2000-2001 is furnished in Appendix 13. For an average of 200 crushing days, the Mill require 3.50 and 5 lakh MT of sugarcane to utilise the crushing capacity of 1750 and 2500 MT per day. Out of the cane command area allotted to the Mill by the Governments of Pondicherry and Tamil Nadu, the Mill could realise a maximum of 3.17 lakh MT of cane during 1994-95 from its inception (1983-84), and the crushing capacity of 1750 MT per day was adequate to meet this production. The Mill did not have any proposals to increase the command area or production. Government released share capital assistance to increase the capacity to 2500 MT per day without ensuring the production of the additional requirement of cane. Incidentally, it was seen that the Mill had achieved a maximum average crushing capacity of only 1580 MT per day during1994-2001.

(iii) It was seen that the Mill utilised the share capital released for expansion to purchase machinery only for Rs 1.61[12] crore mainly to stabilise the existing crushing capacity and the share capital received was eaten away by the losses suffered by the Mill. The Mill attributed (December 1999) the losses to low recovery rate of sugar due to low quality of sugarcane and technical problems, frequent mechanical failures, high cost of establishment and static price of sugar over the years. However, the National Federation of Co-operative Sugar Factories Limited, New Delhi, in their report in September (1999), to improve the technical performance of the Mill identified the poor recovery rate to non-extraction of the entire sugar from the sugarcane due to operational deficiencies in all the units of the Mill, excessive mechanical stoppages and crushing of stale cane after 72 hours of receipt. The Mill had taken steps to rectify the defects pointed out and improved the recovery rate during 2000-2001 to 8.15 *per cent*.

Although aware of the poor performance of the Mill, the Government failed to identify the reasons but continued to release share capital, which was diverted by the Mill to offset its losses. The accumulated loss was Rs 21.52 crore as of March 2001 as against the share capital of Rs 17.25 crore.

The matter was referred to Government in July 2001; reply had not been received (December 2001).

[12] **1995-96 : Rs 1.04 crore and 1998-99 : Rs 0.57 crore**

3.6 Injudicious release of funds without assessment of project economic viability

Failure to assess the economic viability of setting up a rice mill in Karaikal before release of funds resulted in blocking of Rs 85 lakh and consequent interest liability of Rs 19.93 lakh to the Government.

The Karaikal Central Cooperative Processing, Supply and Marketing Society (Society), proposed the setting up of a Modern Rice Mill (Mill) at Karaikal at an estimated cost of Rs.94 lakh and sought Government assistance in the form of subsidy and loan. Based on the recommendations of the Registrar of Cooperative Societies, (RCS), Government released Rs 90 lakh as loan and subsidy as under:

Loan			**Subsidy**	
Month of release	**Amount (Rupees in lakh)**	**Rate of interest in *per cent* per annum**	**Month of release**	**Amount (Rupees in lakh)**
February 1996	5.00	14	--	--
December 1997	18.50	14	December 1997	18.50
September 1998	11.50	14	September 1998	36.50
Total	**35.00**			**55.00**

The Society purchased land at a cost of Rs.4.42 lakh in September 1997, prepared a project report for Rs 140 lakh and obtained plan approval for construction of building from Karaikal Planning Authority in September 1998. Based on a request from the Society, the RCS constituted (October 1998) a Technical Committee for the purpose of setting up the Mill. While the Committee was considering the agency for construction of building, the RCS observed (January 2000) that 16 Mills in Tamil Nadu which received financial assistance from Government were sold to private parties as they were incurring huge losses and advised the Managing Director of the Society to seek the guidance of National Co-operative Development Corporation (NCDC) at Chennai. NCDC opined in March 2000 that the reasons for non-utilisation of the full capacity by the Mill at Pondicherry was to be examined before investment in Karaikal.

RCS, in April 2000, reported that the Rice Mill at Pondicherry, despite substantial Government contribution towards share capital amounting to Rs.1.26 crore and a protected and assured market, was not able to earn profit and show a reasonable return on investment. As such the scope of running a mill at Karaikal on economically viable basis was very limited. The matter was reported to the Government in October 2000 and pending Government decision, the Society kept the project in abeyance.

It could be seen therefrom that Government released funds to the Society far ahead of requirement, without assessing economic feasibility of the proposal submitted by the Society, resulting in locking up of Government funds to the tune of Rs.85 lakh with the Society. As Government of India loan for plan expenditure entails an interest liability at 13 *per cent*, the financial liability to the Government for blocking Rs 85 lakh with the Society taking into account the interest recoverable from the Society, as of May 2001 worked out to Rs.19.93 lakh.

HEALTH DEPARTMENT

3.7 Extra expenditure due to purchase of medicines at higher cost

Purchase of medicines from Public Sector Undertakings without calling for tenders resulted in extra expenditure of Rs 17.07 lakh.

The Director of Health and Family Welfare purchases medicines directly from Government of India (GOI) firms and through central purchase rate contract if the medicines were not available with GOI firms. Mention was made in Paragraph 3.5.5 (iv) of the Report of the Comptroller and Auditor General for the year ended 31 March 1997 that the Government Pharmacy, Pondicherry incurred extra expenditure due to purchase of medicines from GOI firms, without following the tender procedure, instead of from the firms who offered lower rate in the tender for fixing central rate contract. The purchase made by the Government Pharmacy during 1998-99 to 2000-2001 revealed that the practice was continued and 21 medicines were purchased at higher cost from GOI firms without following tender procedure resulting in extra expenditure of Rs 17.07 lakh (*vide* Appendix 14).

When pointed out, the Government contended (September 2001) that the procedure was followed to ensure supply of quality products to the hospitals as the supplies by rate contract firms were not of good quality. Government also contended that GOI, Department of Chemicals and PetroChemicals had issued instructions (June 1999) to give purchase preference to GOI firms.

The contention that quality medicines were not supplied by the firms approved in the central rate contract was not tenable as quality is one of the criteria for selecting firms under central purchase rate contract. Further according to GOI, Department of Public Entrerprises instructions (January 1994), purchase preference was to be given to GOI firms only when they participated in the tender and their quoted price was within 10 *per cent* of the lowest valid price bid and if they agreed to supply the medicines at the lowest valid price bid. The GOI order does not therefore provide for placing direct order with the Public Sector Undertakings without following the tender procedure. It was also ascertained that the Jawaharlal Nehru Institute for Post Graduate Medical Education and Research, Pondicherry, a Government of India institution, purchases medicines only through open tender system.

3.8 National AIDS Control Programme

The Pondicherry AIDS Control Society failed to avail of the total allocated funds on account of poor utilisation. The essential components of the programme were not implemented adequately. Consequently, the incidence of Sexually Transmitted Disease as well as Human Immuno-deficiency Virus infection had increased during the period.

Mention was made in Para 3.6 of the Report of the Comptroller and Auditor General of India - Union Territory (UT) of Pondicherry for the year 31 March 1996, indicating the poor utilisation of Government of India (GOI) funds and inadequate control of the spread of Human Immuno-deficiency Virus (HIV) which had increased during the period from 1992-1996. The National Acquired Immuno Deficiency Syndrome (AIDS) Control Programme (Programme) was revised and extended for 5 more years as Phase II with World Bank assistance. The guidelines were revised in November 1999 with a shift in emphasis to targeted intervention against HIV and preventive measures. The Programme is implemented by National AIDS Control Organisation (NACO) at New Delhi and by Pondicherry AIDS Control Society (Society) at UT. In March 1997, a Blood Transfusion Council was formed to revamp blood banks in the UT with 50 *per cent* central assistance. The implementation of the Programme during the period 1996 to 2001 was scrutinised during February and March 2001 and the observations are given in the succeeding paragraphs.

(i) Year-wise details of funds received by the Society and the expenditure incurred therefrom are given in Appendix 15. It is seen therefrom that GOI released only Rs 0.94 crore during 1996-2001 against the allocation of Rs 3.83 crore due to poor utilisation of funds by the Society. In spite of the cut imposed by GOI in release of funds, there was a closing balance of Rs 0.45 crore as of March 2001. Though the action plan approved by GOI was less than that proposed by the Society each year, the expenditure was still lower.

(ii) The allocation against the essential components of the Programme and the expenditure incurred thereagainst during 1996-2001 were as follows:

(Rupees in lakh)

Year	ıformation, Educatic nd Communicatio (IEC)		Surveillance and Clinical Management		Sexually Transmitted Diseases (STD) control		Training	
	Action plan	Expen-diture	Action Plan	Expen-diture	Action plan	Expen-diture	Action plan	Expen-diture
1996-97	20.00	3.97	1.89	0.67	3.00	0.78	6.48	0.89
1997-98	18.50	5.47	1.89	1.99	3.00	0.46	5.00	0.53
1998-99	60.00	4.42	7.20	1.93	5.00	1.04	5.00	1.50
1999-2000	35.00	12.96	1.05	1.05	4.00	3.00	10.00	2.54
2000-2001	3.00	6.09	0.95	1.66	2.70	1.55	0.93	2.72
Total	**136.50**	**32.91**	**12.98**	**7.30**	**17.70**	**6.83**	**27.41**	**8.18**

The Programme aims at controlling the spread of the HIV mainly through awareness and IEC component should have been given utmost importance. However, it was seen that the expenditure under the IEC activities was very low, the shortfall being 76 *per cent*. The low expenditure under Surveillance and the STD control also adversely affected the Programme as both areas were essential for detection of HIV patients. There was also a shortfall of 70 *per cent* under Training. The huge shortfall in expenditure under these essential components had affected the implementation of the programme. Government accepted the audit observation, but gave no reasons for poor expenditure and assured to take action in this regard.

(iii) GOI released Rs 10.50 lakh to the Blood Transfusion Council during 1996-2001 and the UT Government released Rs 5.50 lakh in 1999-2000. The Council incurred Rs 7.03 lakh upto March 2001.

(iv) In accordance with the directions of Supreme Court, NACO instructed that all the blood banks should be duly licensed after ensuring that they were well equipped. Out of 7 blood banks functioning in UT, only one had valid license and the license of 4 banks expired in December 2000. The blood bank at Government Hospital, Yanam whose license expired in December 1998 was allowed to function without a license from January 1999. The blood bank attached to Government Hospital, Pondicherry, whose licence expired in December 1999 sought renewal only in February 2001. Government stated that licensing was under process (November 2001).

(v) The Blood Testing Centres were to provide counselling to individuals undergoing HIV testing and NACO approved the appointment of counsellors on contract basis (May 1998). However, no counsellor was appointed in the blood testing centres and the department stated that the posts would be filled up in the year 2001. NACO also advised that the counsellors should be trained by the State Society and instructed that a suitable training institute must be identified. However, the Pondicherry Society had not identified any institution for training so far. Government stated that the services of counsellors available in STD clinics were utilised for Blood Testing Centres and two posts of counsellors were approved for Blood Testing Centres in March 2001.

(vi) At the instance of NACO, a survey of the available facilities in the four STD clinics in UT was undertaken by Jawaharlal Nehru Institute for Post Graduate Medical Education and Research (JIPMER) in October 2000. The report pointed out lack of many needed equipment, counselling services, and IEC materials among other things and suggested additional infrastructure facilities in STD clinics. Follow up action was not taken on the report. Government stated (November 2001) that the officers incharge of STD clinics have been instructed to take follow up action.

(vii) As control of STD is one of the major factors in controlling AIDS, NACO instructed (September 1998) that Rupees one lakh per year should be spent for management of STD through supply of drugs to District Women's Hospitals from 1998-99 onwards. However, it was seen that no action was taken to release funds or to supply drugs to Government Maternity Hospital, Pondicherry so far. The Society stated that action was being taken to procure and supply STD drugs from the year 2001-2002. The number of STD cases which stood at 3021 in 1996 increased to 13346 in 2000. The spurt in the disease is an indicator of lack of adequate control measures. Government attributed the increased cases detected during the year 2000 to increase in the number of centres in PHC/CHC level and the awareness campaigns undertaken. Government also stated that the allocation of funds for STD clinics was increased during 2001-2002.

(viii) The scheme of marketing deluxe variety of condoms at subsidised rate to Non-Government Organisations (NGO) for distribution in targeted intervention projects was not implemented in UT. The Society stated that this would be taken up in a phased manner after expansion of targeted intervention. Government assured (November 2001) that deluxe condoms would be supplied to NGOs.

(ix) Out of 26 posts sanctioned by NACO under Phase II, 17 posts were not filled up so far. Training of Medical Officers and other staff on prevention and control of HIV was not conducted. Equipment required to be supplied by NACO for Blood Component Separation Unit at Pondicherry were still awaited and Platelet Incubator and Generator to be procured by the Union Territory Government were not procured so far (November 2001). Government assured to take action in this regard.

(x) The Technical Advisory Committee formed in 1993, which was to co-ordinate the components requiring technical input in the Programme, was not revived after the expiry of its term in August 1995. NACO formed the Technical Advisory Committee for each State/UT in May 2000 and the UT Government issued orders for the functioning of the Committee from

March 2001. The Governing Body of the Society which should meet 4 times a year to review its functioning met only 6 times during 1996-97 to 2000-2001. Government accepted the audit observation and assured to conduct regular meetings.

(xi) The Programme aimed at reducing the spread of HIV infection through transmission. The prevalence rate was worked out based on the positive cases identified by the Society and JIPMER. The cumulative prevalence rate of HIV in the higher risk group had increased from 26.22 per 1000 in the year 1995 to 38.97 per 1000 in the year 2000. The HIV positive cases detected ranged between 41.12 and 65.90 per 1000 during 1995-2000, indicating the continued spread of the HIV. The inadequate expenditure on (i) IEC, (ii) Surveillance and (iii) STD Control measures had contributed to higher prevalence rate. The four Sentinal Surveillance surveys conducted in STD clinics during February 1988 to October 2000 revealed that out of 1597 cases screened, 95 cases responded positive to HIV tests. Government attributed (November 2001) the increased detection to testing of more number of people in the year 2000. This contention was not tenable as the prevalence of HIV per 1000 cases tested had increased.

3.9 National Leprosy Eradication Programme

The objective of reducing the prevalence rate of leprosy to less than 1 per 10000 by 2000 AD was not achieved and on the contrary, prevalence rate was 3.43 per 10000 as of March 2000. The Government of India, while evaluating the programme, pointed out the existence of hidden cases and the need for strengthening case detection and treatment. The increase in the contagious multi-bacillary infection and the increase in the incidence of the disease among children indicate inadequacy in control of the transmission of the disease. Despite these, Union Territory Government disbanded the mobile units and integrated the programme with the General Health Services from April 2000.

3.9.1 Introduction

Government of India (GOI) launched the National Leprosy Eradication Programme (Programme) in 1983 with the aim of achieving the elimination of leprosy by the end of the year 2000 AD by reducing the Prevalence Rate (PR) to less than 1 per 10000 population. The Programme laid stress on early detection of cases and their regular treatment with “Multi-drug therapy” (MDT). GOI extended the project for 5 more years from April 2000 and integrated the services provided under the programme with General Health Care Services in districts where the status of elimination was achieved.

In Union Territory (UT) of Pondicherry, the Programme is implemented by Pondicherry Leprosy Society (Society) from 1989-90 through one Assistant Director (Leprosy) assisted by 5 Non-medical Supervisors, 29 para medical workers attached to the Vertical Units *viz.,* One Urban Leprosy Centre (ULC), 25 Survey, Education and Treatment (SET) Centres covering all the Rural Health Centres and 2 mobile units, one at Pondicherry and one at Karaikal. In September 1998, a separate Leprosy Control Society for Mahe (non-endemic region) was established. The implementation of the Programme during 1996-97 to 2000-2001 was reviewed in the office of the Assistant Director (Leprosy), Pondicherry, one ULC at Pondicherry, seven SET Centres and two mobile units during January 2001 to April 2001. The points noticed are furnished in the succeeding paragraphs.

3.9.2 Financial performance

GOI meets the entire expenditure on the programme and releases funds to the UT Government for maintenance of vertical units created after 1995-96 and to the two societies for activities like training, health education and expenses on administration. Besides, the drugs required for MDT are supplied free of cost. The following observations are made:

(i) During 1996-2000, GOI released Rs 16.95 lakh as grants-in-aid to the UT Government, of which Rs 14.60 lakh was spent on the salary of five non-medical Supervisors sanctioned in the year 1990. As the salary of staff sanctioned upto 1995-96 was to be met by the UT Government under 'non-plan', the expenditure was not admissible under the programme. Government stated (November 2001) that action has been taken to transfer these posts to State sector.

(ii) Besides the commodity grant of Rs 9.09 lakh received in kind, the Society received Rs 52.86 lakh from GOI during 1996-97 to 2000-2001, of which Rs 37.08 lakh only was spent on health education, maintenance of vehicles, travelling allowance and campaigns. The Society also earned Rs 7.74 lakh as interest by depositing the GOI funds with banks during the period and together with the opening balance of Rs 3.97 lakh, the unspent balance as of March 2001 was Rs 27.44 lakh. Government stated that action plan for 2001-2002 has been prepared to utilise the unspent balance.

3.9.3 Programme implementation

The objective of elimination of leprosy by 2000 AD was to be achieved by providing MDT to the patients at their door steps through the mobile units. The para-medical workers (PMW) attached to SET Centres and the ULC were to conduct survey and identify the leprosy patients for treatment in mobile units.

(i) Achievement of objective:

(a) The physical target set by GOI for case detection and treatment, the number of cases under treatment at the year end and the PR per 10000 were as follows:

Year	Case detection		Cases under treatment at the end of the year	PR per 10000
	Target	Achievement		
1996-97	180	404	325	3.42
1997-98	300	510	240	2.19
1998-99	400	700	284	2.86
1999-2000	200	928	350	3.43
2000-2001	100	997	334	3.20

Though the targets set by GOI were declining during the last three years in conformity with the objective, yet the achievements in detection and treatment showed a steady increase in these years, indicating higher incidence of leprosy in the UT. Though the Programme aimed at reducing the PR to 1 per 10000 by 2000 AD, yet the PR as of March 2000 was 3.43 per 10000. Government stated that the increase in number of new cases was due to the intensified efforts to bring out hidden cases and the objective of reducing the PR to 1 per 10000 would be achieved in the year 2002 in Yanam and in the year 2003 in Karaikal and Pondicherry region.

(b) The leprosy patients are categorised based on the severity of the infection as Multibacillary (MB), Paucibacillary (PB) and Single Skin Lesion (SSL). Of these, MB type of infection is contagious and is considered a greater threat to the public. Further, the cases, if not detected early, would result in deformity. The cases detected under each category, incidence of infection among children and the number of deformity cases detected during the years were as follows:

(in numbers)

Year	Cases detected				Children	Deformity cases
	MB	PB	SSL	Total		
1996-97	49	355	--	404	176	24
1997-98	78	432	--	510	204	20
1998-99	154	326	220	700	181	30
1999-2000	185	361	382	928	324	21
2000-2001	178	352	467	997	366	15

The steady increase in the MB cases indicated failure to control the spread of the disease, causing increase in the number of PB and SSL cases. The infection among the children also increased from 176 to 366 cases during the years. The deformity cases detected ranged from 15 to 30 cases per year indicating either inadequacy of the treatment or non-detection of the infection at early stages. Government attributed (November 2001) the increase to detection of hidden cases and stated that all detected cases have been cured.

(c) Two intensive campaigns taken up in 1997-98 and 1999-2000 to identify and treat leprosy patients revealed PR of 3.60 and 3.94 per 10000 respectively, indicating increase in the incidence of the disease. A survey conducted in March and April 2000 by a Non-governmental Organisation (NGO) indicated that the PR of leprosy was 6.64 per 10000 in Pondicherry and 4.41 per 10000 in Karaikal. The independent evaluation of the Programme by GOI in March/April 2000 revealed that there were large number of hidden cases which calls for intensive case detection effort and the PR reported did not represent actual incidence of the disease in the UT. Government stated that the hidden cases detected were treated effectively. However, the continued detection of new cases indicated that all hidden cases were not detected.

(d) The GOI proposed in November 1998 to introduce Phase II of the Programme and integrate the mobile units with General Health Services with effect from April 2000, on the ground that leprosy rate would be reduced to 1 per 10000 by 2000 AD and sought the concurrence of UT Government for the proposal. The UT Government, without considering the PR of 3.43 per 10000 in 1999-2000 and the indicators revealed in the Campaigns, disbanded the Mobile units from April 2000 and provided MDT services through their health institutions. Consequently, the facility of treatment at doorsteps provided to leprosy patients was removed prematurely. The UT Government failed to utilise the option provided by GOI to continue the Programme through vertical units till 2002 or 2005 till the PR is reduced to 1 per 10000. Government stated that the integration would facilitate early detection of cases at grass root level as all the staff in General Health Care units were trained. This contention was not tenable as the Programme provided for integration only when PR was reduced to 1 per 10000, indicating that the existing system was necessary to bring the PR to 1 per 10000.

(ii) Execution

(a) Test check of 5 SET units in Karaikal region revealed that out of 1.11 lakh to 1.20 lakh population to be surveyed annually, only 0.11 lakh to 0.59 lakh population were surveyed during 1996-2000. It was seen that six posts of PMWs in the 25 SET units were kept vacant throughout the review period and the only post of PMW in ULC was kept vacant from 1998-99. Government contended that the qualified persons were not available due to discontinuance of training course because of vertical integration and stated that house to house survey was conducted in all regions during the campaign undertaken in 1998-99. These contentions were not tenable as the vacancy existed even before vertical integration in April 2000 and the continued detection of hidden cases during 1999-2001 clearly indicated the deficiency in survey.

(b) The rehabilitation facilities such as vocational training, reconstruction surgery, supply of microcellular chappals, provision of eye-glasses, physiotherapy to leprosy patients with deformity were undertaken by a NGO in Pondicherry. No such facility was provided to 114 patients with deformity in Karaikal region. Government stated that inpatient facility in Pondicherry region was utilised for deformed patients of Karaikal region also and an NGO has been assigned to Karaikal region.

(c) The Sample Survey Assessment Unit which was to conduct sample surveys to validate the data generated by the Programme was not established even though Rs 5 lakh was released by GOI in March 1998 for this purpose. Government stated that proposal by the Society in this regard was under consideration (November 2001).

(d) The Mahatma Gandhi Leprosy Hospital in Pondicherry which was meant to give treatment for leprosy patients for short period was used only as a rehabilitation home by quite a number of patients. Government stated that the number of inpatients came down from 130 to 60 and the Director was exploring the possibility of running it as rehabilitation home for leprosy patients by NGOs.

(e) As against twenty General Council Meetings to be conducted by the Society during 1996-2001, only 6 meetings were conducted. Government stated that the meetings were held as frequently as required.

3.10 National Programme for Control of Blindness

The objective of reducing blindness from 14 per 1000 to 3 per 1000 by the end of the year 2000 was not achieved. The incidence of blindness assessed at 5.9 per 1000 in the baseline survey conducted in the year 1995, reduced marginally to 5 per 1000 in 1999-2000. Though targets set by Government of India for cataract operations were achieved in all the years, yet it was not enough to reduce the incidence of blindness to the expected level. Failure to provide infrastructure facilities in Yanam Region and in 2 Community Health Centres and the absence of ophthalmic assistants in 25 out of 40 Primary Health Centres were the contributory factors for inadequate detection and rectification of blindness.

The National Programme for Control of Blindness (Programme) was launched in Union Territory in 1976-77 as a Centrally Sponsored Scheme with 100 *per cent* assistance, with a view to reduce the incidence of blindness from 14 per 1000 to 3 per 1000 by 2000 AD. Central assistance was provided by way of grants and commodity towards strengthening of eye care services, establishment of permanent facilities on eye care at peripheral, intermediate and central level, extension of services in camp approach, and educational efforts through mass media. The Programme was implemented by the Director of Health and Family Welfare Services through Programme Officer at Pondicherry, Deputy Director (Immunisation) at Karaikal and Medical Superintendents of Government General Hospitals and Medical Officers of Primary Health Centres (PHCs). A Blindness Control Society was established in January 1998 with Secretary to Government (Health) as Chairman and the Programme Officer as Member-Secretary, to monitor the implementation of the Programme. The review of the implementation of the Programme for the year 1996-2001 revealed the following:

(i) Government of India released Rs 38.87 lakh (Rs 38.53 lakh as cash grant and Rs 0.34 lakh in kind) during 1996-2001, out of which the Union Territory (UT) Government incurred Rs 21.97 lakh. The poor utilisation of funds was due to non-creation of posts for ophthalmic cell and non-execution of civil works in ophthalmic units. Government stated that two of the three posts for the cell have been created during 2000-2001 and the creation of the remaining post of Deputy Director was under consideration. Besides, Rs 3.00 lakh was released (March 1999) to the Pondicherry Blindness Control Society, which together with interest amounted to Rs 3.22 lakh during 2000-2001. Rupees 2.26 lakh was spent during 2000-2001, leaving a balance of Rs 0.96 lakh.

(ii) As against the target of 25080 cataract operations fixed for the UT for the period 1996-97 to 2000-2001, 27390 operations were performed. However, it was seen that there was shortfall in achievement of targets for operations in Karaikal region. As against 4514 operations, fixed by Health Department for Karaikal during this period, only 2599 operations were performed. The shortfall was due to non-filling up the post of the Ophthalmic Surgeon Grade II, which remained vacant during 1996-97 to 1999-2001 due to litigation. Though the targets were achieved yet it was not enough to reduce the incidence of blindness to the expected level. The blindness, which was assessed at 5.9 per 1000 in the baseline survey conducted in 1995, reduced marginally to 5 per 1000 in 1999-2000. The objective of reducing blindness to 3 per 1000 was not achieved. Government stated (November 2001) that the incidence of blindness is 4.1 per 1000 as per the survey conducted in April-June 2001 and efforts are being made to reduce blindness to 3 per 1000.

(iii) Government Hospital, Yanam, though graded as a District Hospital, was not provided with an eye-ward and no Ophthalmic Surgeon or Ophthalmic Assistant was posted. The eye-care services required were provided by the Mobile units through eye camps. Similarly, in two out of four Community Health Centres in the UT, no facility was provided for eye-care. Though one Ophthalmic Assistant was provided to each centre, yet Ophthalmic Surgeon was posted to only one centre. In 25 out of 40 PHCs in the UT, no Ophthalmic Assistant was provided. The 15 Ophthalmic Assistants attached to the remaining PHCs, were to cover these PHCs also. The lack of infrastructural facilities in rural areas as well as outlying region of UT like Yanam, would hinder early detection and rectification of cataract blindness. Government stated that 12 posts of Ophthalmic Assistants and one post of Ophthalmic Technician for 30000 population would be created.

(iv) No target was set for various activities relating to the programme nor was any action plan prepared for educating the public in the need for eye-care. The Programme Officer, in February 2001, reported that films and software were not prepared under the Programme as the area was small and funds allocation from GOI was also low. Government stated that the activities were confined to distribution of pamphlets, booklets, display of banners, etc.

(v) The Blindness Control Society met only once in March 2001 during the period under review, though the Society was to meet every six months to review the implementation of the Programme. Government stated (November 2001) that the society met twice during 2001-2002.

(vi) Blindness Register was to be maintained for each village. However, the Blindness Register maintained by the Ophthalmic Assistants covered only one third of the total population in the UT. This leaves scope for cataract remaining undetected.

(vii) No training was imparted to the nurses and Medical Officers on the ground that the ophthalmic nursing was included in the curriculum in nursing schools and such subject was included in the Medical course.

Government stated that training programme is scheduled during December 2001.

(viii) State Programme Management Cell/Committee under the Chairmanship of State Health Secretary with Director of Health Services as Member for monitoring the Programme was not formed. No evaluation was done by the UT Government or any agency on the implementation of the programme so far (May 2001). Government stated that the programme is reviewed every month by the Director.

3.11 National Tuberculosis Control Programme

The new cases of Tuberculosis detected over the years ranged from 3771 in 1996-97 to 3118 in 2000-2001, though the targets set for detection by Government of India was much less, indicating higher incidence of the disease in Union Territory than expected, and inadequate control of the spread of the disease. The number of cases showing sputum positive, considered a potential threat to the community, also increased every year. There was lack of adequate follow up of the potential carrier of the disease and inadequate monitoring.

The National Tuberculosis Programme was introduced in Union Territory of Pondicherry from 1964 with the main objective of detecting maximum number of Tuberculosis patients and to treat them as an integral part of the general health services. A short course chemotherapy was introduced from second half of 1996. The main thrust was to convert Pulmonary Tuberculosis patients having sputum positive to sputum negative, as these patients were considered a threat to community being a source for the spread of the disease. The programme was implemented as Centrally Sponsored Scheme by the Director of Health and Family Welfare, Pondicherry through the Tuberculosis control officers till 1998-99 and through the Tuberculosis Society from 1999-2000.

A review of implementation of the programme during 1996-2001 revealed the following.

(i) Government of India (GOI) released Rs 11.09 lakh during 1996-97 to 2000-2001, of which the Union Territory (UT) Government spent Rs 11.04 lakh leaving a balance of Rs 0.05 lakh. Of Rs 14.05 lakh released by GOI to the Society during 1998-99 to 2000-2001, only Rs 1.43 lakh was spent leaving an unutilised balance of Rs 12.62 lakh. The unutilised balance represents amount received towards creation of posts, purchase of vehicles and establishment of Training and Demonstration Centre. The interest receipt on the unutilised amount was Rs 0.99 lakh. Government stated (November 2001) that the Society resolved (August 2001) to spend the balance amount for the purposes for which it was released by GOI and the posts would be filled up on contract basis.

(ii) The number of Tuberculosis cases detected, and the number of sputum positive cases identified during the years 1996-97 to 2000-2001 as against target set by GOI were as follows:

(in numbers)

Year	Detection of new cases		Sputum positive identified	
	Target	Achievement	Target	Achievement
1996-97	3200	3771	960	1340
1997-98	1281	3747	475	1290
1998-99	1301	3715	482	1363
1999-2000	1301	3294	482	1303
2000-2001	1498	3118	560	1436

Though GOI targets based on the population of Union Territory (UT) were achieved, yet it could be seen that the number of new cases of Tuberculosis detected ranged between 3118 to 3771 indicating high incidence of Tuberculosis. The number of sputum positive cases, considered as a potential danger to the community, also increased from 1340 in 1996-97 to 1436 in 2000-2001. Government contended (November 2001) that increase in detection of sputum positive cases indicated the improvement in quality of the programme. This contention was not tenable as the detection of larger number of new cases implies that the prevalence of the disease was high.

(iii) Though the short course Chemotherapy introduced in 1996 aimed at converting the sputum positive cases to negative in 2 months, details regarding the follow up action were available only for the years 1999 and 2000, and are furnished below:

(in numbers)

Year	Sputum positive identified	Sputum positive cases taken up for evaluation in the next quarter	Sputum positive converted to sputum negative	Cases which remained positive	Cases not followed up (% to total)
1999	1320	1234	910	7	403 (31)
2000	1380	1324	1112	12	256 (18)

It would be seen that out of 1320 and 1380 cases of Tuberculosis with sputum positive identified in 1999 and 2000, no follow up action was taken in respect of 403 and 256 cases respectively. As the sputum positive cases are considered as a source for spread of the disease, the ineffective follow up of the cases contributed to the continued high incidence of Tuberculosis in UT. Government stated (November 2001) that the percentage showed a declining trend and it would be further reduced by improving retrieval actions by the field staff of Primary Health Centres.

(iv) The District Tuberculosis Officer was to visit the health institutions once every quarter. As against 236 visits per year targeted during 1996-2000, the officers' visit ranged from 89 to 177 per year. Government stated that the number of visits would be increased during the coming years.

(v) The programme was not evaluated by UT Government so far. The National Tuberculosis Institute, Bangalore has sent reports to UT Government, conveying its remarks based on quarterly reports furnished by the District Tuberculosis Centre, Pondicherry. In all the reports, the need for follow up and reducing defaulters has been stressed.

3.12 Payment of patient care allowance to ineligible employees

Rupees 25.94 lakh was paid as patient care allowance to ineligible employees in contravention of Government of India instructions.

Mention was made in paragraph 3.5 of the Report of the Comptroller and Auditor General of India for the year 1990-91 in respect of the Union Territory of Pondicherry, that the patient care allowance provided for Group 'C' and 'D' employees attached to hospitals with a bed strength of 30 or more, was extended to all such employee in Primary Health Centres, Sub-centres etc., where no inpatient facility was available, even though such proposal was rejected by Government of India (GOI). During the examination by Public Accounts Committee, the Director of Medical Services stated that the Government had decided to follow up the matter with GOI, and the Committee desired that final outcome be reported to them. Government, in November 2000, reported to the Committee that the allowance was extended to all Group C and D employees in Health Department in view of agitations by them and contended that GOI, while increasing the rates of patient care allowance (January 1999) prescribed rates for certain staff working in Health organisations other than hospitals. The Committee in their recommendations (March 2001) insisted that Government should obtain the orders of GOI for the payment of allowance to employees in other health institutions. It was, however, seen that Government had not followed up the matter and continued to pay the allowance to employees not entitled to it.

During the audit of Mahatma Gandhi Dental College and Hospital, it was noticed that patient care allowance was paid to Group 'C' and 'D' employees from 1994-95, though the college had no inpatient facilities. Scrutiny of records in the office of Assistant Director (Malaria) also revealed that similar allowance was allowed to the staff. Government of India enhanced the rates of patient care allowance for Group 'C' staff to Rs 160 in August 1997 and Rs 700 in December 1998. The corresponding rates for Group 'D' staff were Rs 150 and Rs 695 from August 1997 and December 1998. The enhanced rates were also allowed to the staff who are not entitled to the same.

The expenditure on this account was Rs 25.94 lakh, (Rs 13.68 lakh paid to staff of Mahatma Gandhi Dental College and Hospital and Rs 12.26 lakh to staff of the office of the Assistant Director (Malaria)) from April 1995 to June 2001. This was in contravention of GOI instructions and hence irregular.

Government, in November 2001, justified the payment stating that all health institutions functioning in the Union Territory of Pondicherry are treated as one organisation under the Directorate of Health and Family Welfare. This contention is not tenable as the patient care allowance is only admissible to staff in hospitals with bed strength of 30 or more.

SOCIAL WELFARE DEPARTMENT

3.13 Blocking of Government funds due to advance release of subsidy to banks

The Social Welfare Department failed to issue instructions for release of subsidy only after release of loan to Backward Class community people, by the loan disbursing banks. As a result, Rs 26.34 lakh was blocked with Banks for one to three years.

In 1995 Government nominated Pondicherry Adi-Dravidar Development Corporation Limited (Corporation) as the temporary channelising agency for implementing welfare schemes for the members of Backward Classes and released Rs 57.50 lakh during 1996-97 (Rs 10.50 lakh) and 1998-99 (Rs 47 lakh) for implementing economic development schemes for other Backward Classes. As on 31 March 2001, the Corporation spent Rs 42.78 lakh (Rs 38.70 lakh on 'Loan and Subsidy' scheme and Rs 4.08 lakh under 'Term Loan Assistance scheme').

In this connection, the following observations are made.

The Loan and Subsidy scheme provided for releasing subsidy @ 33.33 *per cent* of unit cost or Rs 4000 whichever is less to the loan disbursing banks for adjustment against the loan amount paid to the beneficiaries. These are identified by the Corporation for starting viable trade/business/ profession and other economic activities under Self Employment Programme. While the Corporation released subsidy amount of Rs 38.70 lakh during 1997-2000 to various banks for release to 1562 beneficiaries, the banks had utilised only Rs 12.36 lakh for 657 beneficiaries who were given loans as of March 2001. The remaining Rs 26.34 lakh remained with the banks.

The blocking of Government funds with banks was mainly due to release of subsidy portion of the loan by Government to the banks even before the release of loan by the banks to the beneficiaries. Similar Central schemes, implemented by various departments and District Rural Development Agency, suffered by such blocking of funds by adopting this procedure. As such the Social Welfare Department should have instructed the Corporation to release the subsidy amount only after release of loan by the banks. Failure to do so resulted in keeping Rs 26.34 lakh outside the Government account for one to three years.

Government stated (October 2001) that the banks had disbursed the subsidy to the beneficiaries and only Rs 1.94 lakh was kept idle in banks as of March 2001. It was, however, seen that the department did not have any evidence to prove this contention and that the banks have provided the details of disbursement only for Rs 12.36 lakh out of Rs 38.70 lakh released to them.

GENERAL

3.14 Follow up action on earlier Audit Reports

(i) Outstanding Action Taken Notes:

The Committee on Public Accounts (PAC) accepted the recommendations of the Shakdher Committee wherein it was recommended that (i) Departments were to furnish replies to the audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them, within a period of 3 months of the presentation of the Reports to the Union Territory Legislature (ii) A time limit of 3 months was prescribed for submission of Action Taken Notes on the recommendations of the PAC by the department.

A review of the position of outstanding paragraphs of the Audit Reports revealed the following:

(a) Out of 289 paragraphs/reviews included in the Audit Reports relating to the period 1992-93 to 1999-2000 which had already been laid before the Union Territory Legislature, departmental replies in respect of 160 paragraphs/reviews, as detailed below, were not received as of September 2001.

Year	Number of paragraphs/ reviews in the Audit Report	Number of paragraphs/reviews for which replies not received
1992-93	39	12
1993-94	35	10
1994-95	34	17
1995-96	32	9
1996-97	34	11
1997-98	35	23
1998-99	40	38
1999-2000	40	40
TOTAL	**289**	**160**

(b) The Government Departments had not taken any action as of September 2001 on 297 recommendations made by PAC on the paragraphs/reviews included in the Audit Report of 1974-75 to 1990-91. Recommendations for the paragraphs/reviews included in the Audit Report 1991-92 has not been finalised. The department-wise details of Action Taken notes pending are given in Appendix 16.

(ii) Action taken by the Government on the important system deficiency, commented in the Audit Reports

According to the provisions of General Financial Rules, expenditure incurred with the object of increasing concrete assets of a material and permanent character are to be classified as capital expenditure and the classification shall be expressly authorised by General or special orders of Government.

In the Union Territory of Pondicherry, no such orders were issued by the Government and the departments provide funds for capital expenditure under Revenue expenditure head of account and vice versa and incur the expenditure. It was noticed that even share capitals were treated as Revenue expenditure in earlier years and *pro forma* adjustments were made in the Finance Accounts during subsequent years. Similarly, the purchase of Computers was treated as Revenue expenditure by one department and as capital expenditure by another department. Six cases of such wrong classification of expenditure were brought out in the Reports of the

Comptroller and Auditor General of India for the years 1997-98 (Paragraph 2.2.7 (ii)(a))and 1999-2000 (Paragraphs 2.4.2(c), 3.1.4(a) and 4.3(iii)). In spite of bringing this defect to the notice of the Government during discussions and by demi-official letters, no instructions has been issued and the wrong classification of expenditure has been noticed in the Public Works Department as discussed in Paragraph 4.1 of this report.

The wrong classification of expenditure vitiates the true and fair picture of Government accounts.

3.15 Misappropriation and losses

Cases of misappropriation of Government money, stores, etc., reported to Audit till the end of March 2001, on which final action was pending at the end of June 2001, were as under:

Serial number		Number of cases	Amount (Rupees in lakh)
1.	Cases reported to end of March 2000 and outstanding at the end of June 2000	279	15.74
2.	Cases reported during the period from April 2000 to March 2001	30	2.16
3.	Cases closed during the period from July 2000 to June 2001	13	0.26
4.	Cases outstanding at the end of June 2001	296	17.64

The department-wise and year-wise analysis of the cases and their status as of June 2001 are indicated in the Appendix 17. No amount was recovered/ written off pending completion of departmental/criminal action initiated.