OVERVIEW

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This Report includes two chapters containing the observations of audit on the Finance and Appropriation Accounts for the year 2000-2001 and five other chapters comprising 3 Audit Reviews and 18 Paragraphs arising from the audit of financial transactions of the Union Territory Government. A synopsis of the findings contained in the audit reviews and important paragraphs is presented in this overview.

1 Finance Accounts of the Union Territory Government

Revenue receipts of the Government were Rs 947 crore against which the revenue expenditure was Rs 919 crore, resulting in a revenue surplus of Rs 28 crore.

Capital receipts of the Union Territory Government comprised Rs 155 crore from public debt and Rs 5 crore from recoveries of loans and advances. As against this, the expenditure comprised Rs 108 crore on capital outlay, Rs 14 crore on disbursement of loans and advances and Rs 48 crore on repayment of public debt. The excess expenditure was met from revenue surplus.

Revenue receipts comprised tax revenue (Rs 291.86 crore), non-tax revenue (Rs 255.13 crore) and grants-in-aid from Government of India (Rs 399.74 crore). The increase compared to 1999-2000 was 8 *per cent*. The share of tax revenue in the revenue receipts was 31 *per cent*, non-tax revenue was 27 *per cent* and grants-in-aid was 42 *per cent*. The revenue receipts grew at an average annual rate of 22 *per cent* during 1996-97 to 2000-2001.

Grants-in-aid from Government of India which forms major share of revenue receipts decreased by 3 *per* cent compared to 1999-2000. Rupees 8 crore received in 2000-2001 for implementing Centrally Sponsored Schemes was transferred to deposit head, thereby understating the grants-in-aid to that extent. The grants obtained to cover non-plan deficit was Rs 274.93 crore, while the actual deficit was only Rs 150.35 crore; thus excess grants had been sought.

Revenue expenditure accounted for 84 *per cent* of total expenditure, and was up by 9 *per cent* during 2000-2001 compared to the previous year. Of this, the non-plan expenditure constituted 76 *per cent*. Interest payments increased by 121 *per cent* from Rs 39 crore in 1996-97 to Rs 86 crore in 2000-2001, pointing to increased debt burden.

The capital expenditure which declined by 7 *per cent* in 1999-2000 over the previous year increased by 10 *per cent* in 2000-2001. Repayment of loans to Government of India constituted 28 *per cent* of the capital expenditure in 2000-2001. The outstanding balance of loans and advances given by the Government was Rs 59.91 crore at the end of 2000-2001. There was no system of watching the recoveries of loans paid by Local Administration and Industries Department.

Total investment of the Union Territory Government in Public Sector Undertakings, Corporations and Co-operative Societies increased from Rs 358.79 crore in 1999-2000 to Rs 402.71 crore in 2000-2001. Return from these investments during 1996-97 to 2000-2001 was, however, meagre and declined from 0.42 to 0.05 *per cent* . Ten out of eleven companies with a total investment of Rs 329.90 crore had not paid any dividend during 2000-2001 and seven of these companies had not declared any dividend during the past eight to ten years.

Only 69 *per cent* of the loans and advances received from Government of India were available for use, the balance 31 *per cent* being utilised for repayments due. The outstanding loans and advances have been rising year after year and reached Rs 805.49 crore in 2000-2001. The excess of revenue and capital expenditure over the revenue receipts increased from Rs 45 crore in 1996-97 to Rs 89 crore in 2000-2001 indicating the Government is dependent on loans and advances from Government of India for its functioning.

While the development expenditure on Capital and Plan was steadily declining from 1996-97 to 2000-2001, the expenditure on 'General service' which is unproductive, had increased during this period. In addition there were wastages, diversion and blocking of funds on incomplete projects affecting the quality of expenditure.

(Paragraphs 1.3 to 1.11)

2 Appropriation Audit and control over expenditure

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

Supplementary provision of Rs 128.14 crore constituted 13 *per cent* of original budget provision. Supplementary provision of Rs 1.67 crore obtained in five grants was unnecessary as the expenditure was less than the original grant, while supplementary provision of Rs 105.68 crore made in 15 grants was excessive resulting in savings of Rs 9.65 crore.

In 79 cases under 22 grants, expenditure fell short by more than Rs 10 lakh and also by more than 10 *per cent* of the total provision resulting in savings of Rs 40.82 crore. In 65 cases under 14 grants, the expenditure exceeded the approved provision by more than Rs 10 lakh and also by more than 10 *per cent* of total provision.

In 49 cases under 14 grants, the re-appropriation of funds was found to be excessive or unnecessary or inadequate by over one lakh.

Expenditure of Rs 16.46 crore incurred without the approval of the Legislature, on 14 schemes over and above the budget provisions which was in excess of the limit prescribed by the Committee on Public Accounts, constituted New service/New instrument of service.

In 8 schemes, Rs 2.29 crore drawn during March 2001 were not actually spent during the year.

Review of budgetary procedure and control of expenditure followed by Cooperation, Agriculture and Industries departments revealed that these departments did not follow the procedures prescribed in Financial Rules.

(Paragraphs 2.1 to 2.5)

3 Integrated Audit of Public Works Department

The Department flouted the accepted budgetary norms and paid very little care in controlling expenditure. The unnecessary expenditure and locking up of funds in capital works undertaken on behalf of other departments were an indication of inadequate planning. Maintenance works undertaken by the Department also did not reveal any planned approach and lack of basic vital data render it impossible to assess the adequacy of the works taken up. The huge workforce contributed to higher establishment cost and the shoddy maintenance of stores and works accounts leave scope for unidentified losses. The overall functioning did not indicate the caution required in spending funds economically.

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

The Department had no specific criteria for classification of expenditure under Capital and Revenue and Plan and Non-plan.

There were large gaps between approved cost and detailed estimate leaving scope for utilising the savings for works not contemplated in the original sanction.

Accounting records of stores and works were not maintained as per manual provisions.

Funds were provided for non-existent flood relief works and utilised to meet the expenditure on on-going Capital and Plan works. There was poor coordination and avoidable delay in construction of buildings for other departments.

Maintenance expenditure was incurred without detailed measurements.

High establishment cost was mainly due to incorrect regularisation of daily rated labourers and irregular recruitment of temporary casual labourers.

(Paragraph 4.1)

4 System of Accounting in Electricity Department

The absence of a Stores Manual and the failure of the Electricity Department to follow the codal 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 following are some of the significant points noticed:

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

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

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

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)

5 Implementation of Environmental Acts and Rules relating to Air Pollution and Waste Management

The Pondicherry Pollution Control Committee has no data on the number of air polluting industries and has no comprehensive programme for the prevention and control of air pollution in the Union Territory of Pondicherry. The 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 following are some of the significant points noticed:

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.

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.

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)

6 Members of Legislative Assembly Local Area Development Scheme

There were delays in execution of the works ranging from one to over three years resulting in the denial of the benefits to the public. Taking up maintenance works resulted in non-creation of assets as envisaged in the scheme. Expenditure to be met from collection of development charges from the public was met from scheme funds.

(Paragraph 5.2)

7 National AIDS Control Programme

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

(Paragraph 3.8)

8 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 the prevalence rate was 3.43 per 10000 as of March 2000. While evaluating the programme, Government of India 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.

(Paragraph 3.9)

9 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. Inspite of achievement of targets set by Government of India for cataract operations in all the years, the incidence of blindness was not reduced to the expected level. Failure to provide infrastructure facilities in Yanam Region and in two 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.

(Paragraph 3.10)

10 National Tuberculosis Control Programme

There was high incidence of the disease in the Union Territory due to 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

(Paragraph 3.11)

11 Working of Government Companies

As on 31 March 2001, there were 11 Government companies (including one subsidiary) in the Union Territory of Pondicherry with total investment of Rs 358.16 crore (equity : Rs 351.24 crore; long term loan : Rs 6.92 crore) Accounts of 10 companies were not finalised within the time schedule and were in arrears for periods ranging from one to four years. One company prepared only the income and expenditure statement. According to the latest finalised accounts of ten Government companies, five companies incurred an aggregate loss of Rs 24.07 crore and the remaining five companies earned an aggregate profit of Rs 12.54 crore.

(Paragraphs 7.2 and 7.3)

Expansion of the distillery capacity of Pondicherry Distilleries Limited without obtaining the clearance from Central Pollution Control Board resulted in the abandonment of the programme and consequent loss of Rs 2.22 crore. Minimum guaranteed quota of arrack was not lifted by licencees which resulted in loss of Rs 2.59 crore to the company and revenue loss of Rs 8.39 crore to the Government.

(Paragraph 7.9)

12 Avoidable and wasteful expenditure

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.

(Paragraph 3.5)

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.

(Paragraph 3.3)

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.

(Paragraph 3.4)

13 Injudicious release of funds

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

(Paragraph 3.6)

14 Loss of revenue

Failure of the Electricity Department, Pondicherry to levy surcharge for belated payments and to remit promptly the cheques received for credit resulted in a loss of Rs.57.89 lakh.

(Paragraph 6.7)