

CHAPTER III

AUDIT OF TRANSACTIONS

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This chapter presents the results of the audit of transactions of various departments of the Government, their field formations and local and autonomous bodies. Instances of lapses in the management of resources and failures in the observance of the norms of regularity, propriety and economy have been presented in the succeeding paragraphs.

3.1 Inadmissible expenditure

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.1.1 Payment of old age pension to ineligible persons

Failure of the Director, Women and Child Development to verify veracity of the information regarding proof of age, income etc. furnished by the applicants resulted in inadmissible payment of old age pension of ₹ 1.23 crore.

To extend financial assistance to old age persons, widows, deserted/unmarried women and eunuchs residing in the Union Territory of Puducherry, Government formulated (March 2005) 'The Pondicherry Old Age Persons and Destitute Pension Rules 2005' administered by the Director of Women and Child Development. The old age pension scheme stipulated that the beneficiary should be 55 years of age or a widow¹ or a deserted woman² or an unmarried woman³ or a eunuch⁴, whose annual income should be less than ₹ 24,000. The guidelines *inter alia* stated that the applicant should enclose with the application (i) a certificate of income obtained from an officer of the Revenue Department (ii) attested copy of birth certificate/proof of age and (iii) attested copy of ration card/identity card. The Director of the Women and Child Development, on receipt of applications, was required to conduct an enquiry and satisfy himself that the particulars furnished were genuine and correct. In case of doubt as to the applicant's age, the Director could call for a medical opinion from a Government Health Institution. The applicant should not be in receipt of any other financial assistance from any other sources which are fully or

¹ Above 18 years of age whose husband is dead

² Whose husband had deserted for more than seven consecutive years

³ A woman of above 40 years of age who has not entered into marriage/matrimonial union

⁴ A person of above 40 years of age, declared as an eunuch by the Medical Authority

partly funded by the Central or State Government. The rules also provided for recovery of the entire amount paid to ineligible beneficiaries from the date of sanction and prosecution if a beneficiary had deliberately furnished wrong/false information.

Out of 18,839 old age pension cases sanctioned during 2008-10 in Puducherry region, a test-check (October to December 2010) of 8,000 applications in the office of the Director of Women and Child Development disclosed the following:

Even though the guidelines had not envisaged the age given in the ration card as proof of age, the Director sanctioned pension to the beneficiaries based on the age shown in the copy of the ration card. When audit verified the age given in the applications with the data available in the Civil Supplies and Consumer Protection Department in respect of issue of ration cards, it was noticed that 751 applicants had altered their age in the photo copy of their ration cards. Despite a note printed in the ration cards by the Civil Supplies Department that the details given in the card should not be taken as proof for availing benefits of any schemes implemented by the Government, the Director sanctioned old age pension by accepting the attested photo copy of the ration cards which had false age and without verifying the original ration cards. As such, payment of ₹ 1.03 crore made from August 2008 to March 2011 to 751 ineligible beneficiaries was inadmissible.

It was further noticed that old age pension was sanctioned to 146 persons belonging to above poverty line families, based on the bogus details furnished by them, which included 19 Government servants and 23 pensioners, whose annual income exceeded ₹ 24,000 per annum. This illustrates the failure on the part of the Director to verify the veracity of information furnished by the applicants. Rupees 20 lakh paid to these persons during August 2008 to March 2011 was also inadmissible.

When pointed out, the Government stated (September 2011) that based on the Audit observation and after further examination, payment of pension to 1,426 ineligible beneficiaries were stopped from April 2011. Out of these, 685 pensioners were deleted from the beneficiary list and for the remaining 741 cases, pension was temporarily stopped pending verification of original documents. The department further stated that action had been initiated to recover the pension payments made to Government servants/pensioners from their salary/pension, besides action under Central Civil Services (Conduct) Rules. However, the reply is silent about the recovery of pension from other ineligible beneficiaries and action against them for deliberately furnishing wrong/false information.

3.2 Unfruitful/Wasteful expenditure

PUBLIC WORKS DEPARTMENT

3.2.1 Unfruitful expenditure on laying of sewer lines and construction of sewer appurtenances

Due to non-completion of the sewage conveyance system for want of funds and non-construction of collection well and pump house owing to non transfer of land, an expenditure of ₹ 4.85 crore incurred on laying of the sewer lines and construction of sewer appurtenances remained unfruitful.

Government proposed (2003) to extend sewerage facilities to Lawspet area (Zone V) in Puducherry. The Zone V was divided into two sectors and each sector was further divided into two phases. Phase I work of Sector I was proposed to be taken up in six stages. The sewage collection system viz, laying of sewer lines and construction of sewer appurtenances⁵ had three stages (I to III). The stages IV, V and VI involved construction of trunk sewer and pumping main, sewage treatment plant and pump house respectively.

Government sanctioned (November 2003 and September 2004) laying of sewer lines and construction of sewer appurtenances under stages II and III at a cost of ₹ 2.60 crore. The Chief Engineer (CE), Public Works Department (PWD) accorded technical sanction for the estimates of the works in April and December 2004. The works were awarded in March and April 2005 and completed at a cost of ₹ 2.22 crore in February and July 2006.

Scrutiny of records (January 2010) of the Executive Engineer (EE), Public Health Division, Puducherry revealed that the stage I work of laying of sewer lines and construction of sewer appurtenances was completed in January 2010 at a cost of ₹ 1.68 crore. Construction of trunk sewer and pumping main (stage IV) was sanctioned (November 2006) by Government for ₹ 2.98 crore. The CE sanctioned (September 2007) the estimate of the work for ₹ 2.45 crore and awarded (March 2008) the work to a contractor at the contract price of ₹ 2.63 crore. The contractor, after executing the works for a value of ₹ 95.39 lakh, stopped (June 2008) the work due to non-payment of bills by PWD for want of funds. The contract was foreclosed (June 2010) due to non-provision of sufficient funds in the budget for completing the work.

Though Government accorded (July 2006) administrative sanction for construction of sewage treatment plant (stage V) at an estimated cost of ₹ 2.99 crore, PWD had not prepared the estimate for the work as provision

⁵ Manholes, flush tanks, intercepting chambers, etc.

for a treatment plant with a higher capacity was made under the JNNURM⁶ funded comprehensive sewerage scheme. Out of ₹ 1.24 crore sanctioned (September 2004) for construction of collection well and pump house, installation of pump sets, etc (stage VI), the Superintending Engineer II sanctioned an estimate for ₹ 52.79 lakh for construction of collection well and pump house. The identified site was taken over by PWD in August 2005 and the work was commenced in March 2007. However, the work could not be executed in the site due to objection from the public. An alternative site was identified in June 2007. Though PWD approached the Oulgaret Municipality in July 2007 for transfer of the required land, it took more than three years to find out that the land was Government land and the Municipality did not have power to transfer the land and ultimately only in July 2010 the Revenue Department was requested to transfer the land. The land has not yet been transferred to PWD (November 2011).

Thus, the sewage collection system created in stages II and III (2006) could not be used as of 2011 for want of completion of the other components of the scheme and the expenditure of ₹ 2.22 crore incurred on the stages II and III works remained unfruitful for more than five years. In addition, the stage I and part of stage IV works completed (January 2010 and June 2008 respectively) at a cost of ₹ 2.63 crore also could not be put to use.

The matter was referred to the Government in July 2011; Government (November 2011) endorsed the reply of the Chief Engineer, PWD, in which it was stated that the proposal for transfer of required land was pending with the Revenue Department since July 2010 and it would commence the work as soon as the land was transferred. The reply is not acceptable as the department should have approached the Revenue Department in July 2007 itself instead of the Oulgaret Municipality for transfer of land. The failure of the department to approach the appropriate authority for the transfer of land has resulted in non-commencement of construction of the collection well, pump house etc., leading to non-utilisation of the other linked works already completed at a cost of ₹ 4.85 crore.

⁶ Jawaharlal Nehru National Urban Renewal Mission

HEALTH AND FAMILY WELFARE DEPARTMENT**3.2.2 Non-utilisation of the software**

Signing of Memorandum of Understanding with faulty warranty condition with a software developer led to non availing of the intended benefits of the software developed by spending ₹ 18.75 lakh.

In order to computerize the activities of Government General Hospital (GH) and to have connectivity among all Government health institutions in the Union Territory of Puducherry, M/s Tata Consultancy Services Limited, Chennai (TCS) was engaged (January 2005) by the Director of Health and Family Welfare Services for development of a software 'Hospital Information System' (HIS) at a cost of ₹ 37.50 lakh. The agreed amount was to be released to TCS in five instalments and first instalment of ₹ 11.25 lakh was paid to TCS in May 2005.

As per the Memorandum of Understanding (MoU) signed in July 2005 between the Medical Superintendent (MS) of the GH, Puducherry and TCS, the software consisting of 13 modules⁷ would be developed by the latter in Oracle platform and warranty period of two years would commence from the date of installation of the first module at the first hospital and all the modules would be completed within a period of eight to ten months. Any change suggested by the GH at any stage of the software development should be conveyed to TCS which would be attended to by TCS after evaluating its impact on feasibility, time schedule and cost.

TCS installed the first module in February 2006 from which warranty/support period commenced. Subsequently, during March – June 2006, TCS installed four more modules and requested (October 2006) for payment of the second instalment of ₹ 7.50 lakh which was paid in June 2007. TCS further raised (November 2007 and January 2008) two invoices for ₹ 7.50 lakh each, being the third and fourth instalments citing delivery of all the deliverables, whereas MS claimed that only five⁸ modules were installed. Payments against these invoices were not made by MS on the ground that the HIS software was not as per the customer interest and application and requested (August 2008) TCS to improve the software. TCS, however, rejected (August 2008) the request stating that the warranty/support period was over in February 2008 and any further requirements/support would involve additional cost as the works suggested

⁷ 1)Registration, 2)Out-patients Management, 3)Inpatients Management, 4)Investigations, 5)Billing, 6)Patient Medical Records, 7)Operation Theatre, 8)Blood Bank, 9)Diet and Kitchen, 10)Pharmacy Management, 11)Central Stores, 12)Bio-Medical Engineering, 13) Enquiry

⁸ (1) Registration, (2) Out patient Management, (3) In patient Management (4) Medical Records Management and (5) Enquiry

were totally different from the agreed deliverables. As TCS stopped the support services, MS had improved the software by utilising in-house expertise in a different platform and put into use to some extent. As such, the software developed at a cost of ₹ 18.75 lakh by TCS could not be utilised to the full extent.

On being pointed out by Audit, Government replied that the software developed by TCS was not user friendly and requirements of hospital had changed completely during the period of software development. It was further stated that the amount paid to TCS was not wasteful as software developed in-house was based on the technical data provided by TCS. This reply is not acceptable, as the revised requirements were communicated to TCS only in August 2008 after expiry of the accepted warranty period in February 2008. Further, though the software contained 13 modules, the MoU stipulated that the warranty period would commence from the date of installation of the first module instead of installation of all the modules. MS, before signing of the MoU, could have insisted for change in the warranty period to commence after installation of all the modules so that the project could have been kept open until installation of all the modules so as to utilise the software developed to the fullest extent. Failure to do so resulted in non-availing of the intended benefits of the software developed by TCS at the cost of ₹ 18.75 lakh.

3.3 Avoidable expenditure

PUBLIC WORKS DEPARTMENT

3.3.1 Avoidable extra cost due to rejection of the lowest tenders

Injudicious rejection of the lowest tenders received for two road improvement works by the Chief Engineer, Public Works Department resulted in avoidable extra cost of ₹ 1.04 crore.

Government sanctioned (January and February 2010) two works namely 'Strengthening the road from Suthukeny to Lingareddipalayam in Mannadipet Commune' (Work I) and 'Improvements to the road at Sellipet, Vinayagampet, Sorapet and Vadhanur villages including construction of drain' (Work II) for ₹ 1.69 crore and ₹ 2.42 crore respectively. The Chief Engineer (CE), Public Works Department, accorded (May 2010) technical sanction for the estimates to the works for ₹ 1.65 crore and ₹ 2.28 crore respectively.

All the contractors, who participated in the first tender call (June 2010) for both the works quoted rates below the estimated cost put to tender, the lowest being (-) 24.35 per cent (contractor A - ₹ 1.08 crore) in respect of

work I and (-)19.01 *per cent* (contractor B - ₹ 1.54 crore) in respect of work II. The CE rejected (July/August 2010) both the tenders on the plea that the rates quoted were unworkable. In the second call (August 2010), all the contractors quoted rates above the estimated cost with the tender premium ranging from 4.86 to 19.65 *per cent* for the work I and 4.80 and 8.97 *per cent* for the work II. The CE approved (October 2010) the lowest tender of contractor 'C' for ₹ 1.58 crore for the work I with tender premium of 4.86 *per cent* and that of contractor 'D' for ₹ 2.08 crore for the work II with tender premium of 4.80 *per cent*. Work orders were issued (November and October 2010) to the selected contractors and the works were in progress (May 2011).

Scrutiny of the records revealed (December 2010) that both the contractors 'C' and 'D' had participated in the first tender call of the respective works and had quoted (-) 21.91 and (-) 18.84 *per cent* below the estimated cost put to tender and both of them quoted 4.8 *per cent* above the estimated cost in the second tender call. Further it was noticed that during November 2009 - October 2010, the CE had approved tenders which were (-) 14.59 to (-) 25.00 *per cent* below the estimated cost for six⁹ other road works (at an estimated cost of ₹ 12.85 crore), of which five works were awarded to the contractors 'A' and 'B' and all the works were in progress. As such, the action of the CE in rejecting the lowest tenders of contractors 'A' and 'B' in the first call and awarding the contract at a higher cost in the second call was injudicious and it resulted in avoidable extra estimated cost of ₹ 1.04 crore¹⁰.

On being pointed out, the Government replied (July 2011) that the tenders in the first call were rejected as quality work could not be extracted from the contractors at the unworkable rates quoted by them and as per CPWD Manual, no tender with more than 10 *per cent* variation should be accepted. It further stated that while accepting tenders from time to time, the prevailing market rates of materials, labour, site condition and nature of work etc., were taken into consideration and contended that acceptance of below quoted rate at one given point of time could not be compared with rejection of tenders with the same percentage at some other point of time. It further replied that in respect of the six other road works awarded to the contractors at rates below the estimated cost put to tender, the progress of work was very poor and thus, the decision of CE in rejecting the tenders in the first call was justified.

⁹ (i) Widening and improvements to Muthupillaipalayam to Perambai road (June 2010), (ii) Widening and improvements to Koonichempet to Manalipet road (July 2010), (iii) Widening and improvements to RC - 32 Mannadipet road from Thirukannur junction to RC - 21 Frontier road junction (July 2010), (iv) Improvements to RC-16 Moolakulam road from Moolakulam to Gopalankadai (October 2010), (v) Improvements to the Vinayagampet-Sorapet link road including providing cement concrete paver blocks to Vinayagampet and Sorapet Villages (August 2010) and (vi) Improvements to the road from Adingapet to Kirumampakkam and construction of protection wall (November 2009)

¹⁰ (₹ 1.58 crore + ₹ 2.08 crore) - (₹ 1.08 crore + ₹ 1.54 crore)

The reply is not acceptable as the agreements concluded with the contractors had terms and conditions to ensure quality of the works and it was noticed that all the six other road works awarded by CE during the same period were below quoted rates with discounts exceeding 10 *per cent*, and of which, four works had been completed and in respect of the other two works, the progress of work was at 80 and 40 *per cent* respectively as of August 2011. All the six works were similar in nature and were awarded within three months of the cancellation of the first tender call of Works I and II (July/August 2010). However, the CE adopted different standard for the works I and II which were similar in nature to the six other road works and rejected the lowest tenders for works I and II and this injudicious decision of the CE led to avoidable extra estimated cost of ₹ 1.04 crore.

ADI DRAVIDAR WELFARE DEPARTMENT

3.3.2 Avoidable payment of interest due to drawal of loan far in advance of requirement

Drawal of loan of ₹ 15 crore by the Adi Dravidar Welfare Department, far in advance of requirement for construction of houses for the Scheduled Caste beneficiaries resulted in avoidable payment of interest of ₹ 84.37 lakh.

The UT Government approved (August 2009) a proposal for construction of Economically Weaker Section (EWS) houses for homeless Scheduled Caste people in Puducherry and Karaikal regions at a cost of ₹ 158.09 crore¹¹ by availing loan from Housing and Urban Development Corporation Limited (HUDCO) and grant-in-aid from Government of India, in addition to the share of UT Government. The Pondicherry Adi Dravidar Development Corporation Limited (PADCO) was nominated as the project executing agency. The project was proposed to be taken up under two different schemes¹² for the urban and rural areas.

The UT Government received (September 2009) ₹ 12.72 crore as grant-in-aid from GOI under the Basic Services to Urban Poor (BSUP) scheme¹³. This amount along with the UT share of ₹ 1.24 crore (total ₹ 13.96 crore) was retained as deposit in the Public Account of the Government for eventual release to PADCO. An agreement for availing loan of ₹ 89 crore at the weighted average interest rate of 8.38 *per cent* (floating) per annum

¹¹ Loan from HUDCO – ₹ 89 crore; grant-in-aid from GOI under Basic Services to Urban Poor (BSUP) Scheme - ₹ 41 crore and UT Government share– ₹ 28.09 crore.

¹² (i) Scheme with grant-in-aid under BSUP in urban areas and (ii) scheme assisted by HUDCO in rural areas

¹³ BSUP is a component under Jawaharlal Nehru National Urban Renewal Mission

for construction of 2,852 EWS houses, signed on 24 March 2010 between HUDCO and the Secretary (Welfare), Puducherry Government, stipulated that the borrower should draw the first instalment of loan within a maximum period of eight months from the date of execution of loan agreement or such other period as may be specified by HUDCO from time to time.

Scrutiny of records (October-November 2010) of the Director, Adi Dravidar Welfare Department revealed that even before finalization of tender formalities for the scheme in rural areas, the Director requested (26 March 2010) the Secretary (Welfare) to draw ₹ 15 crore¹⁴ as first instalment of loan from HUDCO, in addition to the grant-in-aid available with the Department for the BSUP scheme. The Principal Secretary, Finance stated (30 March 2010) that the loan, if availed, would attract interest liability till its utilisation as work orders had not been issued for the scheme and suggested availing loan of ₹ one crore only. The Government on the advice of the Chief Secretary, however, approved (March 2010) the proposal for availing loan of ₹ 15 crore stating that HUDCO would not be in a position to release the amount sanctioned in the current financial year (2009-10) in the next financial year (2010-11) without a revised sanction of its Board of Directors. HUDCO released (March 2010) an amount ₹ 14.51 crore to the Government after deducting front-end-fee and service tax.

It was noticed in audit that the estimates for construction of 269 houses (₹ 16.05 crore) under BSUP scheme and 217 houses (₹ 12.84 crore) under HUDCO assisted scheme were approved (February and April 2010) by the Public Works Department and the work orders were issued by PADCO in April and October 2010. Government released the ₹ 13.96 crore (May and September 2010) kept in the Public Account and ₹ eight crore (August, October 2010) out of the loan amount of ₹ 14.51 crore availed from HUDCO to PADCO. As of November 2010, PADCO had incurred an expenditure of Rs 10.06 crore¹⁵ only towards payment to contractors under the BSUP and HUDCO Schemes. The Adi Dravidar Welfare Department paid an interest of ₹ 84.37 lakh to HUDCO upto November 2010 for the loan availed in March 2010. As the Department had ₹ 13.96 crore in the Public Account as of March 2010 for release to PADCO, there was no immediate necessity to draw the first instalment of loan from HUDCO in March 2010. Since the loan agreement allowed eight months time, i.e., upto November 2010 for drawal of the first instalment of loan, the approval of the Government for drawal of the loan in March 2010 was not justified and resulted in avoidable payment of interest of ₹ 84.37 lakh to HUDCO.

The matter was referred to Government in June 2011; reply had not been received (January 2012).

¹⁴ ₹ 10 crore for infrastructure development in work sites and ₹ five crore for releasing mobilisation/secured advances to contractors

¹⁵ ₹ 9.79 crore towards construction of 269 houses under BSUP scheme and ₹ 27 lakh under HUDCO assisted scheme

3.4 Blocking of funds/Idle expenditure

AGRICULTURE DEPARTMENT

3.4.1 Blocking of funds due to excess release of funds

Release of grants-in-aid to the Puducherry Agricultural Workers Welfare Society for free distribution of raincoats and mosquito nets to the Schedule Caste agricultural workers without ascertaining the actual requirement resulted in blocking of funds of ₹ 1.53 crore for one to three years.

Government established (March 2005) the Puducherry Agricultural Workers Welfare Society (PAWWS) with the objective of extending various benefits¹⁶ to the agricultural workers of the Union Territory. In March 2007, Government released grant-in-aid of ₹ 82 lakh out of the Scheduled Caste Sub Plan (SCSP) funds to PAWWS for giving old age pension, issue of raincoat and maternity assistance. Further grants totalling ₹ 1.81 crore were released in March 2008, March 2009 and March 2010 to the PAWWS for distribution of raincoats and mosquito nets to the Scheduled Caste agricultural workers.

The PAWWS, invited (June 2009) tenders for procurement of raincoats, but could not finalise the agency as the samples received from the tenderers did not conform to the specifications. The Government decided (February 2010) to entrust procurement and distribution of raincoats and mosquito nets to the Puducherry Market Committee (PMC) due to non-availability of storage facilities and shortage of manpower in the PAWWS. The PAWWS released ₹ 92.57 lakh (including ₹ 29.35 lakh for general category workers) to the PMC during March to October 2010. The PMC procured and distributed 20,000 raincoats and 15,000 mosquito nets to the Scheduled Caste and general category workers at a cost ₹ 85.43 lakh. Out of the SCSP funds of ₹ 2.63 crore received, PAWWS utilised ₹ 63.22 lakh only for distribution of raincoats and/or mosquito nets to 13,512 SC workers in the Puducherry region during 2009-11. In addition to the unspent grant of ₹ two crore as of March 2011, the PAWWS had earned interest of ₹ 40 lakh from the bank deposits of SCSP funds.

Scrutiny of records (August 2010) revealed that the Director of Economics and Statistics (DES), to whom the work of enumeration of agricultural workers in the UT was entrusted (January 2006) by the PAWWS, identified (April 2007) 52,817 agricultural workers of which 22,558 were from the SC community. The PAWWS, in its proposal (March 2007)

¹⁶ Providing financial assistance in case of untimely death of workers, group insurance benefits for permanent disability, pension to the aged workers, maternity assistance to the female workers, providing tools at subsidised/free of cost to the agricultural workers.

requesting Government to release grant-in-aid stated that it required ₹ 96 lakh for distribution of raincoats alone to about 24,000 SC workers (at ₹ 400 per raincoat). Government released (March 2007) ₹ 82 lakh from the SCSP component for the purpose with the condition that the grant should be utilised in a time-bound manner and a certificate of utilisation should be submitted to Government within 12 months of the closure of the financial year. In the subsequent financial years (2007-08 to 2009-10), Government, without ascertaining the utilisation of grants released earlier, continued to release the funds in the month of March every year, based on the projections of the PAWWS.

Audit observed that the PAWWS, which projected fund requirement of ₹ 2.48 crore in March 2009 for distribution of raincoats and mosquito nets to 33,067 SC workers, requested ₹ 2.78 crore in January 2010 for 26,500 SC workers instead of the actual number of 22,558 SC agricultural workers in the UT as per the enumeration done by the DES. Similarly, the unit cost for calculating fund requirement of raincoat ranged between ₹ 400 (March 2007) and ₹ 800 (March 2010) and ₹ 250 for mosquito net. The PMC actually procured raincoats from firms which had rate contracts with DGS&D at the unit cost of ₹ 285 to ₹ 309 for raincoat and ₹ 177 for mosquito net. The actual requirement of funds for distribution of raincoats and mosquito nets to all the 22,558 SC workers in the UT (at the rate of ₹ 309 for raincoat and ₹ 177 for mosquito net) works out to ₹ 1.10 crore only as against grants of ₹ 2.63 crore received by the PAWWS. Thus, excess projection for fund by the PAWWS and the excess release of grants of ₹ 1.53 crore by Government to the PAWWS during 2008-10 without ascertaining the utilisation, resulted in blocking of SCSP funds for one to three years, which could have otherwise been utilised for other welfare schemes for the SC people.

The matter was referred to Government in June 2011. Government in its reply (November 2011) stated that out of 81,441 applications received and pending scrutiny, 67,000 applicants were found to be eligible after assuming 25 per cent of applicants were ineligible and allowing 10 per cent addition for left over cases. Of this 33,067 were provisionally considered as SC members for the purpose of making demand projections for funds since the exact figures could not be finalised mainly because of the fact that agricultural workers were mostly migrant in nature seeking employment depending upon seasonal nature of agricultural operation. It was further stated that the society did not have any proper guidelines for implementation of the scheme and that separate guidelines in consultation with the Finance Department would be issued. The reply is not acceptable as the total number of SC beneficiaries was already available with DES and the projection of funds was deliberately inflated by the society based on assumptions. Government could have very well stopped further release of grants-in-aid after March 2007. However, Government continued release of further grants for the same purpose during March 2008-10,

without ascertaining utilization of the previously released grants and framing guidelines for the scheme.

INDUSTRIES AND COMMERCE DEPARTMENT

3.4.2 Non-utilisation of grants by the Puducherry Management and Productivity Council

Release of grant to the Puducherry Management and Productivity Council for construction of office building before allotment of land and poor planning by the Council resulted in blocking of funds of ₹ 1.05 crore over four years.

Puducherry Management and Productivity Council (PMPC), a society registered in 1988 under the Societies Registration Act, 1860, is functioning under the control of the Department of Industries and Commerce (DIC) with the objective of imparting management training to the personnel of industrial establishments, Government Departments and Public Sector Undertakings. In order to provide permanent building to PMPC, Puducherry Agro Service and Industries Corporation Limited (PASIC) was requested to prepare an estimate. Based on the preliminary estimate prepared by PASIC in March 2006 for ₹ 48.10 lakh, PMPC requested Government to release grant-in-aid. Government sanctioned (March 2006) and released the first instalment of grant of ₹ 18.00 lakh for construction of the building through PASIC. It was proposed to construct the building after dismantling the old garage sheds in the industrial estate and the adjacent vacant space was to be allotted for the purpose.

Scrutiny of the records revealed (August 2010) that PMPC, after one year from the date of Government sanction, got the preliminary estimate revised (March 2007) by PASIC to ₹ 1.10 crore by adding one more floor (first floor) to the proposed building to accommodate the office-cum-training centre and requested Government to release further grant of ₹ 92.00 lakh. Even though the existing garages were not dismantled and the additional land required was not allotted to PMPC, Government released ₹ 87.40 lakh in March 2007. The DIC allotted the required land in July 2007 and executed (November 2007) a lease agreement with PMPC. PMPC obtained (February 2008) the required building permit, valid upto February 2011, from the Puducherry Planning Authority.

When the detailed estimate prepared by PASIC was sent (May 2009) to the Chief Engineer (CE), PWD by PMPC for according technical sanction, the CE returned it with instruction to recast it adopting the 2009-10 Schedule of Rates. The estimate was recast in October 2009 to ₹ 2.96 crore for construction of a two-storied building with semi-basement structure and

‘green building’ concept. This was technically sanctioned (December 2009) by the CE for ₹ 3.09 crore.

PMPC entrusted (April 2010) the work to PASIC and released ₹ 90.00 lakh as the first instalment to PASIC. However, the contractor for executing the work could not be finalised (February 2011) by PASIC due to poor response to the tenders (July and September 2010) and non-approval of the tender by PMPC for awarding the work at high tender premium. PASIC requested (February 2011) PMPC’s permission to recast the estimate again adopting the Schedule of Rates for 2010-11. PMPC had not accorded the permission (June 2011).

Thus, poor planning by PMPC in obtaining grant-in-aid without the required land for construction of building and frequent revisions of building plan and the release of grant-in-aid by the Government without ensuring the immediate scope for spending led to blocking of Government funds of ₹ 1.05 crore for more than four years, besides non-achievement of the objective of constructing a permanent building for PMPC. Further, the frequent revisions of building plan and abnormal delays in decision making had led to increase in the estimated cost of the building from ₹ 48.10 lakh in 2006 to ₹ 3.09 crore in (December 2009).

When pointed out by Audit, PMPC replied (July 2011) that the project got delayed for various reasons including the revision in Schedule of Rates and the decision to construct the building by adopting the green building concept and that such delays would be avoided in future. PMPC also replied that PASIC had been directed to refund the money. The reply is not acceptable as the adhocism in decision making and delays discussed above are purely administrative in nature and avoidable.

The matter was referred to Government in June 2011; reply had not been received (January 2012).

ART AND CULTURE DEPARTMENT

3.4.3 Idle expenditure on an incomplete work

Foreclosure of contract for construction of the administrative and library block at the foundation stage for want of funds and non-utilisation of the same for the proposed Centre for Performing Arts and Research for more than four years resulted in idle expenditure of ₹ 66.32 lakh

Bharathiar Palkalaikoodam (BPK), a registered society fully funded by the UT Government, offers courses in music, dance and fine arts in

Puducherry. As the institution was functioning in temporary thatched sheds, Government released (March 2005) a non-recurring grant of ₹ 24.90 lakh to BPK for construction of the administrative and library block. The work was to be executed in a phased manner through the Public Works Department (PWD). The Chief Engineer (CE), PWD accorded (April 2006) approval for taking up the work 'as deposit work' at an estimated cost of ₹ 1.78 crore. BPK deposited ₹ 24.90 lakh in May 2006 with the Executive Engineer (EE), Buildings and Roads (North) Division of Puducherry with a request to commence the work immediately.

The CE accorded technical sanction for the detailed estimate of the work for ₹ 1.81 crore and awarded (August 2006) the work to a contractor at a value of ₹ 1.91 crore. As per the agreement (September 2006), the work was to be completed by May 2007. When the EE requested (December 2006) BPK to release additional deposit of ₹ 1.66 crore to complete the work of administrative block, BPK permitted (January 2007) the EE to utilise ₹ 50 lakh separately deposited for construction of the music block. As of January 2007, the contractor had completed the pile foundation of the block and out of the bill amount of ₹ 66.32 lakh, the EE paid ₹ 61.56 lakh only to the contractor due to paucity of funds. In a meeting convened by the Minister for Education in March 2007, it was decided to convert BPK into a Centre for Performing Arts and Research (CPAR) utilising the already created infrastructural facilities in the BPK campus and the PWD was instructed to stop all the ongoing works. The Minister requested the Department of Art and Culture (DAC) to call for expression of interests (EOI) for modifying the infrastructure required for CPAR on 'build, operate and transfer basis'. Therefore, the contract for the work of administrative and library blocks was foreclosed (August 2007) after incurring an expenditure of ₹ 66.32 lakh. The contractor resorted to arbitration against the foreclosure of the contract and he was awarded (October 2008) a compensation of ₹ 12.68 lakh by the arbitrator. PWD had filed an appeal petition against the award in February 2010 and the case was pending.

The DAC called (September 2007) EOI for providing advisory services for development of CPAR from four firms which were in the panel of Advisors for PPP projects circulated by the Ministry of Finance, GOI. Government approved (April 2009) the single firm¹⁷ which responded (October 2007) as consultant for establishing the CPAR at a professional fee of ₹ 28 lakh payable in two stages. The Special Secretary to Government, Art and Culture entered into a Memorandum of Agreement (MoA) with the consulting firm in January 2011. The firm claimed (January 2011) mobilisation fees of ₹ 3.09 lakh payable as per the terms of agreement. No payment was, however, made to the firm till June 2011 due to a dispute between DAC and the firm on payment of success fee at one *per cent* of the cost of project payable by the private developer to be selected.

¹⁷ M/s IL&FS Infrastructure Development Corporation Limited

Scrutiny of records revealed that as against the requirement of funds of ₹ 1.91 crore for completing the work, BPK deposited with the PWD ₹ 24.90 lakh only being the grant-in-aid released initially (March 2005) by Government for the purpose and further diverted ₹ 50 lakh to PWD. BPK failed to get additional fund from Government during 2006-07 even though the work was scheduled for completion by May 2007. As regards CPAR, though decision to establish the CPAR under PPP mode utilising the infrastructure already created was taken in March 2007 and the consulting firm responded in October 2007 itself, the DAC took no concrete action and Government approval for appointment of the consultant was obtained only in April 2009. It was further noticed that the Government approval for appointment of the firm for consulting services was communicated to it only in January 2010. The MoA with the consultant firm was signed in January 2011, after a further delay of more than a year due to time taken for finalizing the terms of MoA. The consulting firm, though submitted (March 2011) a preliminary report on the project, suspended all its activities relating to the project in April 2011 due to non-payment of the mobilisation fees. The inordinate delay in selection of the consulting firm and finalizing the terms of MoA with the firm, which was to identify a private developer for the project and the pace at which the work progressed showed that DAC was not serious in converting BPK into CPAR.

Thus, the foreclosure of contract of the work at foundation stage due to non-provision of adequate funds and non-establishment of the proposed CPAR even after four years from the date of stoppage of work of the administrative block resulted in the work costing ₹ 66.32 lakh remaining incomplete and idle.

The matter was referred to Government in July 2011; reply had not been received (January 2012).

LOCAL ADMINISTRATION DEPARTMENT

ARIANKUPPAM COMMUNE PANCHAYAT

3.4.4 Blocking of funds due to non-utilisation of grants-in-aid

The Local Administration Department failed to get the Government grant-in-aid of ₹ 54.28 lakh refunded even when the amount was not used for more than five years.

The General Financial Rules 2005 (GFR) of Government of India stipulate that Government departments should consider sanction of grants to any organisation seeking grants-in-aid from Government only on the basis of viable and specific schemes drawn up in sufficient detail by the

organisation and that in the event of non-utilisation, the grants-in-aid should be refunded to Government.

Scrutiny of records (July 2010) of the Ariyankuppam Commune Panchayat revealed that Government sanctioned (September 2005) grant-in-aid of ₹ 54.28 lakh to the Ariyankuppam Commune Panchayat (ACP) for construction of two multi-purpose halls, one in Chinnaveerampattinam (₹ 27.14 lakh) and another in Pudukuppam village (₹ 27.14 lakh), under the scheme of 'creation of infrastructural facilities in tsunami affected areas'. As per the specified condition, the grant-in-aid should be utilised only for the intended purpose within a period of 12 months from the date of drawal of grant. The money was drawn by the Director, Local Administration Department (LAD) in November 2005 and released to the ACP.

The ACP invited (November 2005) tenders for the above mentioned works and after evaluation of the tenders, the tender documents were sent (January 2006) to the Director (LAD) for approval. In March 2006, the Project Implementing Agency (PIA), viz., Emergency Tsunami Reconstruction Project, Puducherry, informed that it had already started construction of a community hall at Pudukuppam village through a non-governmental organisation. Therefore, the ACP sent (May 2007) a revised proposal for ₹ 56 lakh to the Director (LAD) for construction of a community hall at Chinnaveeranampattinam, but it was returned (June 2007) for want of certain details¹⁸. Subsequently, Chinnaveeranampattinam village people objected to (November 2008) the construction of the multipurpose hall and requested for provision of basic amenities such as road, side drain and drinking water. Various other works¹⁹ were also suggested (June/November 2008) by the village panchayat. Since no proposal was approved by the Chairman of the Council, ACP requested (October 2009) the Director (LAD) for necessary orders to refund the amount. The proposal to refund the grant was rejected by the Chairman and he instructed to construct the multipurpose hall at another place which was not feasible, as the land belonging to the Fisheries Department was near coastal zone and required 'no objection certificate' from the Fisheries Department and the Coastal Regulation Authority. The PIA suggested (July 2010) to take up the works of 'U'-shaped drains. Accordingly, revised proposal to construct the drains estimated to cost ₹ 64.70 lakh was sent by ACP (August 2010) to the Director (LAD) for getting revised Government sanction and approval to the proposal was awaited (September 2011). Thus, the department's failure to get back the unutilised grant as per the provision of GFR led to blocking of funds of ₹ 54.28 lakh for more than five years.

¹⁸ ACP Council's resolution for (i) diverting the amount released for construction of multi purpose hall at Pudukuppam village (ii) incurring additional expenditure of ₹ 1.72 lakh from the council fund and (iii) progress of Tsunami works.

¹⁹ (i) Construction of 'U' drain from Veeranampatti to Chinnaveeranampattinam
(ii) Construction of library building, toilet block, shed and playground.

When pointed out, the Director (LAD) stated (July 2011) that the proposal for drainage works was awaiting approval of Government for want of additional details such as revised estimate adopting current schedule of rates, resolution from the panchayat council, etc., and the ACP replied that revised estimate had been submitted to SE for technical sanction. The Government endorsed (September 2011) the reply of Director (LAD). The reply is not acceptable as the Director (LAD) failed to get the grant-in-aid refunded when no concrete proposal was received from the ACP.