REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

GOVERNMENT OF THE UNION TERRITORY OF PUDUCHERRY

http://www.cag.gov.in

TABLE OF CONTENTS

PREFACE

1. This Report has been prepared for submission to the Lieutenant Governor under Section 49 of the Government of Union Territories Act, 1963.

2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of the Finance Accounts and the Appropriation Accounts of the Union Territory Government for the year ended 31 March 2007.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including Public Works, audit of Internal Control System and Stores and Stock, audit of Autonomous Bodies, observations arising out of audit of Revenue Receipts, Statutory Boards and Government Companies.

4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2006-07 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2006-07 have also been included wherever necessary.

5. It is certified that the audits have been conducted in conformity with the Auditing standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Audit Report includes two chapters containing observations on the Finance and the Appropriation Accounts of the Union Territory Government of Puducherry for the year 2006-07 and five others comprising four reviews, one long paragraph and 13 paragraphs (including one stock paragraph) dealing with the result of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government and Government Companies.

Audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples were drawn based on statistical sampling methods as well as on judgement basis. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. Audit conclusions have been drawn and recommendations made taking into consideration views of the Government, wherever received.

A summary of the financial position of the Union Territory of Puducherry and the audit findings is given below:

1 Financial position of the Union Territory Government

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

(Paragraphs 1.1 to 1.10)

2 Appropriation audit and control over expenditure

Appropriation Accounts present the details of amounts actually spent *vis-à-vis* the amount authorised by the Legislature. During 2006-07, expenditure of Rs 2,409 crore was incurred against the total grants and appropriations of Rs 2,891 crore, resulting in a saving of Rs 482 crore. The savings was mainly due to reduction in plan outlay from Rs 1,410 crore to Rs 1,043.45 crore on account of non-materialisation of loan from Housing and Urban Development Corporation Limited, non-drawal of loan from World Bank for Emergency Tsunami Rehabilitation Project and lesser mobilisation of funds by the Government. Supplementary provision of Rs 93.07 crore made in four grants was excessive resulting in savings of Rs 4.93 crore. In 102 cases, expenditure fell short by Rs 50 lakh or more in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs 601.92 crore and in 58 cases, the expenditure exceeded the approved provision resulting in excess of Rs 130.46 crore. Grants-in-aid of Rs 6.37 crore was drawn in advance and kept in deposit by implementing organisations. Rupees 3.61 crore were spent on new schemes without the approval of the Legislature.

(Paragraphs 2.1 to 2.4)

3 Review on Urban Water Supply Schemes

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

(Paragraph 3.1)

4 Educational Development of Scheduled Castes

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

(Paragraph 3.2)

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

The workshop has a computerised billing system for the supply of fuel and for expenditure incurred on repairs to Government vehicles. The software developed in-house was not tested. Absence of a master data base for different vehicles resulted in data entry of incorrect vehicle numbers, supply of fuel to private vehicles, supply of fuel without indents, supply of different types of fuel to the same vehicle, etc. The deficiencies made the system and database unreliable.

(Paragraph 3.3)

6 Internal Control in Civil Supplies and Consumer Affairs Department

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

(Paragraph 5.1)

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

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

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

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

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

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

(Paragraph 7.12)

8 Audit of Transactions

Civil

Besides the above, audit of financial transactions test checked in various Departments of the Government and their field offices revealed instances of avoidable/unfruitful expenditure/liability of Rs 21.46 crore as mentioned below:

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

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

(Paragraphs 4.1 and 4.2)

Revenue receipts

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

(Paragraph 6.10)

Commercial transactions

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

(Paragraphs 7.2 to 7.11)

CHAPTER I

FINANCES OF THE UNION TERRITORY GOVERNMENT OF PUDUCHERRY

AN OVERVIEW OF THE FINANCES OF THE UNION TERRITORY GOVERNMENT OF PUDUCHERRY

1.1 Introduction

The accounts of the Union Territory (UT) Government are maintained in (i) the Consolidated Fund in which receipts from revenues, loans and recoveries of loans are accounted and expenditure incurred with the authorisation from the Legislature and (ii) the Contingency Fund which is in the nature of an imprest to meet urgent unforeseen expenditure pending authorisation from the Legislature. There is no Public Account in the UT to account for money kept by the Government as a banker; the transactions relating thereto are included in the Public Account of the Government of India (GOI). The cash balance of the UT Government is merged in the general cash balance of the GOI. GOI amended (September 2001) the constitution providing maintenance of separate cash balance by the UT of Puducherry with Reserve Bank of India (RBI) and powers for raising of market loans. Government of Puducherry issued notification (May 2006) fixing 10 May 2006 as the date of separation of its cash balance from the cash balance of GOI. The separation has, however, not taken place as yet (November 2007).

Finance Accounts of the UT Government of Puducherry are laid out in sixteen statements, presenting receipts and expenditure (revenue as well as capital), in the Consolidated Fund and Contingency Fund of the UT. The lay out of the Finance Accounts is depicted in **Appendix 1.1 -Part A.**

1.1.1 Summary of receipts and disbursements

Table-1.1 summarises the finances of the UT Government of Puducherry for the year 2006-07 covering revenue receipts and expenditure and capital receipts and expenditure as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table-1.1: Summary of receipts and disbursements for the year 2006-07

(Rupees in crore)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
					Non-Plan	Plan	Total
Section-A: Revenue							
1,802	Revenue receipts	1,884	1,794	Revenue expenditure	1,229	698	1,927
479	Tax revenue	570	381	General services	416	47	463
511	Non-tax revenue	550	683	Social services	275	426	701
--	Share of Union Taxes/Duties	--	726	Economic services	534	225	759
812	Grants from Government of India	764	4	Grants-in-aid and contributions	4	--	4
Section-B: Capital							
--	Miscellaneous Capital Receipts	--	289	Capital Outlay	4	356	360
6	Recoveries of Loans and Advances	8	4	Loans and Advances disbursed	2	1	3
353	Public debt receipts	444	86	Repayment of Public Debt			97
--	Contingency Fund	--	--	Contingency Fund			--
256	Opening Cash Balance	244	244	Closing Cash Balance			193
2,417	**Total**	**2,580**	**2,417**	**Total**			**2,580**

Following are the significant changes during 2006-07 over previous year:

- Revenue receipts grew by Rs 82 crore over previous year. The increase is mainly contributed by tax revenue (Rs 91 crore) and non-tax revenue (Rs 39 crore) off set by decrease in Grants received from GOI (Rs 48 crore).
- Revenue expenditure and capital expenditure increased by Rs 133 crore and Rs 71 crore respectively over previous year.
- Increase in the recovery of loans was due to writing off the outstanding loan of Rs 2.39 crore under Village Housing Projects. The disbursement of loans on the other hand have decreased by Rs one crore during 2006-07 over the previous year.
- Public Debt receipts have increased by Rs 91 crore due to increased borrowings from GOI for meeting the non-plan expenditure while repayment increased only by Rs 11 crore.
- Cash balance of the UT at the close of current year as a result of inflows/outflows listed above have decreased by Rs 51 crore mainly to meet the increased revenue expenditure.

1.1.2 Trends in fiscal aggregates

Fiscal position of the UT Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in **Table-1.2**.

Table-1.2

(Rupees in crore)

2005-06	Sl. No	Major Aggregates	2006-07
1,802	**1.**	**Revenue Receipts (2+3+4)**	**1,884**
479	2.	Tax Revenue	570
511	3.	Non-Tax Revenue	550
812	4.	Other Receipts	764
6	**5.**	**Non-Debt Capital Receipts**	**8**
6	6.	*Of which* Recovery of loans	8
1,808	**7.**	**Total Receipts (1+5)**	**1,892**
1,150	**8.**	**Non-Plan Expenditure**	**1,235**
1,148	9.	On Revenue Account	1,229
171	10.	*Of which* Interest payments	187
(-) 1*	11.	On Capital Account	4
3	12.	On Loans disbursed	2
937	**13.**	**Plan Expenditure**	**1,055**
646	14.	On Revenue Account	698
290	15.	On Capital Account	356
1	16.	On Loans disbursed	1
2,087	**17.**	**Total Expenditure (13+8)**	**2,290**
(+) 8	18.	Revenue Surplus (+) / Deficit (-) (1-9-14)	(-) 43
(-) 279	19.	Fiscal Surplus (+) / Deficit (-) (17-1-5)	(-) 398
(-) 108	20.	Primary Surplus (+) / Deficit (-) (19-10)	(-) 211

* The minus expenditure was due to issue of more stores from 'Stock' than that purchased during the year

During the current year, revenue receipts increased by 4.55 *per cent* (Rs 82 crore), revenue expenditure increased by seven *per cent* (Rs 133 crore) over previous year resulting in an increase of deficit of Rs 51 crore during 2006-07 from the revenue surplus of Rs eight crore in previous year. Given the deficit of Rs 51 crore in revenue account in 2006-07 along with an increase of Rs two crore under non-debt capital receipts accompanied with an increase of Rs 71 crore in capital expenditure and a decline of Rs one crore in disbursement of loans and advances led to an increase of

Rs 119 crore in fiscal deficit during 2006-07 from the level of Rs 279 crore in 2005-06. An increase of Rs 119 crore in fiscal deficit along with an increase of Rs 16 crore in interest payments led to an increase of Rs 103 crore in primary deficit during 2006-07 from Rs 108 crore in 2005-06.

1.2 Audit methodology

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts are analysed wherever necessary over the period from 2001-02 to 2006-07 and observations are made on their behavior. Assuming that Gross State Domestic Product (GSDP)[1] is the good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices.

Table – 1.3: Trends in growth of GSDP

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06 (P)	2006-07 (QE)
GSDP	4,259	4,931	5,439	5,192	5,700	6,299
Growth rate of GSDP	10.2	15.8	10.3	(-) 4.5	9.8	10.5

Source : Directorate of Economics and Statistics, Government of Puducherry.
P: Provisional; QE: Quick Estimate

The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure, etc., with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure, etc., are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. Audit observations on the Statements of Finance Accounts for the year 2006-07 bring out the trends in the major fiscal aggregates of receipts and expenditure; Time series data on Union Territory Government finances **(Appendix 1.2)**, Abstract of Receipts and Disbursements (**Appendix 1.3**), Sources and Applications of funds (**Appendix 1.4**) and Summarised Financial position of the UT Government (**Appendix 1.5**). The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1 Part B**.

---

[1] GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production

1.3 Trends and composition of aggregate receipts

The aggregate receipts of the UT Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues and grants-in-aid from the GOI. Capital receipts comprise recoveries of loans and advances given by the Government and loans and advances obtained from GOI.

Table-1.4 shows that the total receipts of the UT Government for the year 2006-07 were Rs 2,336 crore. Of these, the revenue receipts were Rs 1,884 crore, constituting 81 *per cent* of the total receipts. The balance came from borrowings (Rs 444 crore) and receipts from recovery of loans and advances (Rs eight crore).

Table 1.4: Trends in Growth and Composition of Aggregate Receipts

(Rupees in crore)

Sources of UT Receipts	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
I Revenue Receipts	**1,073**	**1,185**	**1,303**	**1,631**	**1,802**	**1,884**
II Capital Receipts	**199**	**236**	**274**	**354**	**359**	**452**
Recovery of Loans and Advances	6	6	6	6	6	8
Public Debt Receipts	193	230	268	348	353	444
Total Receipts	**1,272**	**1,421**	**1,577**	**1,985**	**2,161**	**2,336**

Total receipts of the UT increased from Rs 1,272 crore in 2001-02 to Rs 2,336 crore in 2006-07. While the share of revenue receipts declined from 84 *per cent* to 81 *per cent*, the share of Public Debt receipts which create future repayment obligation increased from 15 *per cent* to 19 *per cent* in 2001-07, indicating an increased dependence on borrowings.

1.3.1 Revenue receipts

Statement-9 of the Finance Accounts details the revenue receipts of the Government. Revenue receipts consist of its own tax and non-tax revenues and grants-in-aid from GOI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table-1.5.**

Table-1.5: Revenue receipts - Basic parameters

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Revenue receipts (RR) (Rupees in crore)	1,073	1,185	1,303	1,631	1,802	1,884
Own taxes (*per cent*)	269 (25)	276 (23)	353 (27)	404 (25)	479 (27)	570 (30)
Non-tax revenue (*per cent*)	302 (28)	412 (35)	454 (35)	501 (31)	511 (28)	550 (29)
Grants-in-aid (*per cent*)	502 (47)	497 (42)	496 (38)	726 (44)	812 (45)	764 (41)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rate of growth of RR (*per cent*)	13.3	10.4	10.0	25.2	10.5	4.6
RR/GSDP (*per cent*)	25	24	24	31	32	30
Revenue buoyancy[2] (ratio)	1.3	0.7	1.0	(-) 5.6	1.1	0.4
State's own taxes buoyancy (ratio)	(-) 0.8	0.2	2.7	(-) 3.2	1.9	1.8
Revenue buoyancy with reference to State's own taxes (ratio)	(-) 1.6	3.5	0.4	1.8	0.6	0.2
GSDP Growth (*per cent*)	10.2	15.8	10.3	(-) 4.5	9.8	10.5

Figures in bracket indicates percentage to revenue receipts

General trends

Revenue receipts have shown a progressive increase over the period with marginal changes in their composition over the period 2001-07. While the share of own taxes shown a marked increase, the share of grants-in-aid from GOI declined from 47 *per cent* to 41 *per cent.* The share of non-tax revenue remained almost stable during 2001-07 with inter year variations. The lower growth rate of revenue receipts during 2006-07 over 2005-06 inspite of realisation of higher revenue from own resources was due to reduction in grants-in-aid from GOI.

Tax revenue

Tax revenue increased by 19 *per cent* during the current year (Rs 570 crore) over the previous year (Rs 479 crore). The increase was mainly from sales tax (20 *per cent*) due to boom in business and strict collection measures, stamps duty and registration fees (29 *per cent)* due to sale of more non-judicial stamps and land revenue (194 *per cent*) due to remittance of unutilised housing subsidy and other compensation payable to Tsunami victims which was released during 2004-05. The trends in various components of tax revenue during 2002-07 are given in Paragraph 6.1 of Chapter VI of this Report.

Non-tax revenue

Non-tax revenue which constituted 29 *per cent* of revenue receipts increased only by eight *per cent* during the current year from Rs 511 crore during 2005-06 to Rs 550 crore during 2006-07. The major contributors for increase over previous year are Power (Rs 22.07 crore) due to sale of more power to existing and new consumers; Medical and Public Health

[2] Buoyancy ratio indicates the elasticity or degree of responsiveness of a fiscal variable with respect to a given change in the base variable. For instance revenue buoyancy at 0.4 during 2006-07 implies that revenue receipts tend to increase by 0.4 percentage points if the GSDP increases by one *per cent*

(Rs 3.95 crore) due to increase in hospital charges, licence fees collected by Food and Drug administration and more receipt of share from Employees State Insurance Corporation and other administrative services (Rs 5.26 crore) due to more receipts from motor garages, guest house, Government hostels and sale of election forms and documents.

Grants-in-aid

Grants-in-aid from GOI decreased from Rs 812 crore in 2005-06 to Rs 764 crore during 2006-07. The decrease was under UT Plan schemes (Rs 54 crore) and Centrally Sponsored Schemes (Rs 18 crore), was partly off set by increase in Non-plan grants (Rs 24 crore). Details of grants-in-aid are given in **Table-1.6**.

Table 1.6: Grants-in-aid from GOI

(Amount – Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Grants for UT plan schemes	126	136	122	132	297	243
Non Plan grants	362	348	361	578	468	492
Grants for Centrally Sponsored Schemes	14	13	13	16	47	29
Total	**502**	**497**	**496**	**726**	**812**	**764**
Percentage of increase (+) /decrease (-) over previous year	(+) 26	(-) 1	(-) 0.2	(+) 46	(+) 12	(-) 6

Arrears of revenue

Arrears of revenue pending collection which was Rs 109.39 crore in 2005-06 increased to Rs 142.41 crore in 2006-07 (30 *per cent*). These mainly relate to Electricity Department (Rs 91.80 crore), State Excise (Rs 13.97 crore) and Commercial Taxes (Rs 28.72 crore). Of the arrears pending collection by Electricity Department, Rs 27.55 crore were due from Government institutions and Rs 13.77 crore were under litigation. The pendency in State Excise was due to non-payment of fees by the lessees of arrack and toddy shops. The arrears pending collection by Commercial Taxes Department include Rs 22.63 crore covered under official liquidator and miscellaneous action and Rs 5.76 crore covered by appeals in Court.

1.4 Application of resources

1.4.1 Growth of expenditure

Statement 10 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The UT raises resources to perform its sovereign functions, to maintain the existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge debt service obligations. The total expenditure of the UT which comprises revenue expenditure, capital expenditure and loans and advances increased from Rs 1,225 crore in 2001-02 to Rs 2,290 crore in 2006-07. Total expenditure, its annual growth rate and ratio of expenditure to the GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-1.7.**

Table-1.7: Total expenditure – Basic parameters

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Total expenditure (TE) (Rupees in crore)	1,225	1,304	1,445	1,771	2,087	2,290
Rate of Growth (*per cent*)	17.6	6.4	10.8	22.6	17.8	9.7
TE/GSDP Ratio (*per cent*)	28.8	26.4	26.6	34.1	36.6	36.4
RR /TE Ratio (*per cent*)	88	91	90	92	86	82
Buoyancy of total expenditure with reference to :						
GSDP (ratio)	1.7	0.4	1.0	(-) 5.0[3]	1.8	0.9
RR (ratio)	1.3	0.6	1.1	0.9	1.7	2.1

Total expenditure during the current year has increased by Rs 203 crore over the previous year of which revenue expenditure was Rs 133 crore, capital expenditure was Rs 71 crore off set marginally by decrease of Rs one crore in loans and advances. The increase in revenue expenditure was on account of increased expenditure under land revenue (Rs 33.22 crore) mainly under plan, interest payments (Rs 15.95 crore) under Non-plan, Pension and other retirement benefits (Rs 18.49 crore) under Non-plan, General Education (Rs 30.28 crore) mainly under Plan, Medical and Public Health (Rs 57.92 crore) mainly under Plan, Social Security and Welfare (Rs 33.83 crore) mainly under Plan and Power (Rs 37.87 crore) mainly under Non-plan. The increases under these heads were observed mainly due to payment of arrears due to revision of pay scales retrospectively, increased loan liability, payment of dearness relief and arrears due to revision of scales to pensioners, increased purchase of medicines, surgical chemicals and equipment and increase in service tax and gas rate and Unified Load Despatch and Communication charges. The increase in capital expenditure was contributed mainly under Plan due to increased expenditure on Power projects (Rs 4.95 crore), Industry and Minerals (Rs 46.40 crore) and Roads and Bridges (Rs 19.15 crore). During the current year, 82 *per cent* of the total expenditure was met from its revenue

[3] Negative buoyancy of total expenditure with reference to GSDP is due to decline in the growth rate of GSDP

receipts and the remaining from capital receipts and borrowed funds. The buoyancy of total expenditure to GSDP which stood at 0.9 in 2006-07 indicates that pace of Government expenditure was lower than the rate of increase in GSDP of the UT. The higher buoyancy of total expenditure to revenue receipts indicates increase in receipts enhanced the propensity of the Government to spend during the year.

Trends in total expenditure by activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-1.8**.

Table-1.8: Components of Expenditure – Relative Share

(in *per cent*)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	19.3	20.7	21.1	20.2	19.5	21.7
Of which interest payments	8.2	8.9	9.3	8.6	8.2	8.2
Social Services	27.9	30.7	31.5	36.3	37.2	33.9
Economic Services	52.0	48.0	46.8	43.0	42.9	44.1
Grants-in-aid	0.2	0.2	0.2	0.2	0.2	0.2
Loans and Advances	0.6	0.4	0.4	0.3	0.2	0.1

The share of expenditure on General Services, marginally increased mainly due to increase in the salary of Government servants with retrospective effect. The share of Economic Services declined steeply from 52 *per cent* to 44.1 *per cent* during 2001-07 whereas the share of Social Services increased from 27.9 *per cent* to 33.9 *per cent* during this period.

1.4.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment of past obligations and as such does not result in any addition to the infrastructure and service network of the UT. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table-1.9**.

Table-1.9: Revenue expenditure: Basic parameters

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE) (Rupees in crore) *Of which*	1,099	1,151	1,294	1,573	1,794	1,927
Non-plan Revenue Expenditure (NPRE)	853	879	962	1,142	1,148	1,229
Plan Revenue Expenditure (PRE)	246	272	332	431	646	698
Rate of Growth (*per cent*)	19.6	4.7	12.4	21.6	14.0	7.4
NPRE	22.4	3.0	9.4	18.7	0.5	7.1
PRE	10.8	10.6	22.1	29.8	49.9	8.0
NPRE/GSDP (*per cent*)	20.0	17.8	17.7	22.0	20.1	19.5
NPRE as *per cent* of TE	69.6	67.4	66.6	64.5	55.0	53.7
NPRE as *per cent* of RR	79.5	74.2	73.8	70.0	63.7	65.2
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	1.9	0.3	1.2	(-) 4.7[4]	1.4	0.7
Revenue Receipts (ratio)	1.5	0.5	1.2	0.9	1.3	1.6

The revenue expenditure increased by 75 *per cent* from Rs 1,099 crore in 2001-02 to Rs 1,927 crore in 2006-07. While NPRE has increased by 44 *per cent* during this period, the PRE increased by 184 *per cent.* The lesser increase in NPRE is due to non-transfer of completed plan schemes to Non-plan as stipulated by the guidelines of Planning Commission. The UT Government did not transfer schemes costing Rs 143.09 crore from eighth Five Year Plan onwards as the GOI did not agree to provide increased grant under Non-plan. Besides, the UT Government booked Rs 19.60 crore spent on the scheme of distribution of free rice to all ration card holders under Plan, without approval of the Planning Commission, resulting in boosting of plan expenditure. The increase in NPRE during the current year was mainly due to increased expenditure in land revenue collection charges and survey and settlement operations (Rs 3.94 crore), assistance to agriculture co-operatives (Rs 5.55 crore), interest payments (Rs 15.95 crore), medical and public health (Rs 3.67 crore), transmission and distribution of power (Rs 32.44 crore) and payment of pension and other retirement benefits (Rs 18.49 crore). The increase in PRE over previous year was mainly due to increased expenditure on welfare of aged, infirm and destitute (Rs 28.66 crore), medical and public health (Rs 54.24 crore), general education (Rs 22.64 crore) and land revenue operations (Rs 29.04 crore) off set by a decrease in expenditure under relief for natural calamities (Rs 75 crore).

---

4 Negative buoyancy of revenue expenditure with GSDP was due to decline in the growth rate of GSDP

1.4.3 Committed expenditure

Expenditure on salaries

Table 1.10: Expenditure on salaries

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on salaries (Rupees in crore) *Of which*	258	281	299	327	364	429
Non-plan head	223	237	249	268	287	326
Plan head	35	44	50	59	77	103
As *per cent* of GSDP	6.1	5.7	5.5	6.3	6.4	6.8
As *per cent* of Revenue Receipts	24.0	23.7	22.9	20.1	20.2	22.8

During 2006-07, expenditure on salaries was Rs 429 crore (Non-plan Head - Rs 326 crore; Plan Head - Rs 103 crore). The share of salaries in revenue expenditure was 22 *per cent* during 2006-07 while relative to GSDP and revenue receipts it was 6.8 and 22.8 *per cent* respectively. The expenditure on salaries increased by 18 *per cent* over previous year (Rs 364 crore in 2005-06) mainly due to revision of pay scales with retrospective effect and payment of arrears.

Pension payments

Table-1.11: Expenditure on pensions

Heads	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions (Rupees in crore)	46.67	57.24	71.82	77.33	85.68	104.16
Rate of growth	(-) 1.2	22.6	25.5	7.7	12.1	20.2
As *per cent* of GSDP	1.1	1.2	1.3	1.5	1.5	1.7
As *per cent* of RR	4.4	4.8	5.5	4.7	4.8	5.5
As *per cent* of RE	4.3	5.0	5.6	4.9	4.8	5.4

The increase in pension payment by 22 *per cent* from Rs 85.68 crore in 2005-06 to Rs 104.16 crore in 2006-07 was mainly due to increase in number of pensioners, payment of two instalments of dearness relief to pensioners and revision of retirement benefits due to upgradation of pay scale with retrospective effect.

Interest payments

Table-1.12: Interest payments

Year	Total Revenue Receipts	Total Revenue Expenditure	Interest Payments	Percentage of interest payments with reference to	
	(Rupees in crore)			Revenue Receipts	Revenue Expenditure
2001-02	1,073	1,099	101	9.42	9.19
2002-03	1,185	1,151	116	9.75	10.04
2003-04	1,303	1,294	134	10.33	10.40
2004-05	1,631	1,573	152	9.37	9.72
2005-06	1,802	1,794	171	9.51	9.55
2006-07	1,884	1,927	187	9.93	9.70

Expenditure on interest was mainly on loans from GOI. The rate of interest on plan and non-plan loans from GOI ranged between 11 to 12 *per cent* in 2001-02. By 2006-07, it had fallen and ranged between 9 to 9.5 *per cent*. As the borrowings from GOI increased from Rs 193.34 crore during 2001-02 to Rs 443.76 crore during 2006-07, the interest payments have also gone up steadily.

Subsidies

Trends in subsidies given by the UT Government are given in **Table-1.13.**

Table-1.13: Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy in total expenditure
2001-02	2.08	--	0.17
2002-03	3.89	87	0.30
2003-04	6.70	72	0.46
2004-05	11.07	65	0.62
2005-06	17.93	63	0.86
2006-07	16.63	(-) 7.3	0.73

The amount indicated in the table represents the expenditure booked under the object head 'Subsidy' under rural housing, welfare of scheduled castes, animal husbandry, fisheries, rural development, village and small industries and supply of Liquefied Petroleum Gas to Below Poverty Line families but does not include major subsidies on free supply of electricity to small farmers and poor people, supply of rice at subsidised rates to ration card holders, free supply of rice, cloth, etc., made by various departments and cash incentives and subsidies paid to agriculturists as these are either not shown as subsidy in Government Accounts or classified as 'other charges', or 'grants-in-aid' to agencies implementing the scheme.

1.5 Expenditure by allocative priorities

1.5.1 Quality of expenditure

The availability of better social and physical infrastructure in the UT is reflected in its quality of expenditure. The ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is quality of expenditure. **Table-1.14** gives these ratios during 2001-07.

Table-1.14 – Indicators of quality of expenditure

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Capital Expenditure	119	148	146	193	289	360
Revenue Expenditure	1,099	1,151	1,294	1,573	1,794	1,927
Of which Social and Economic Services with						
(i) Salary Component	210.42	224.72	238.15	258.65	266.41	318.29
(ii) Non-Salary Component	662.90	674.65	758.19	968.56	1,143.49	1,141.49
As per cent of Total Expenditure (excluding loans and advances)						
Capital Expenditure	9.8	11.4	10.1	10.9	13.9	15.7
Revenue Expenditure	90.2	88.6	89.9	89.1	86.1	84.3
As per cent of GSDP						
Capital Expenditure	2.8	3.0	2.7	3.7	5.1	5.7
Revenue Expenditure	25.8	23.3	23.8	30.3	31.5	30.6

The capital expenditure indicated an increasing trend with a marginal dip in 2003-04. The capital expenditure was incurred mainly on construction of Government buildings, water supply and sanitation, flood control projects, industries and minerals, power projects and roads and bridges. Both salary and non-salary components indicated increasing trends but the salary component increased sharply during 2006-07 due to revision of pay scales whereas the non-salary component marginally declined. However, non-salary component of revenue expenditure incurred on social and economic services remained dominant throughout the period and constituted on an average about 77 *per cent* of revenue expenditure on social and economic services. These trends indicate that impetus is being given by the UT Government to asset formation and quality of these services.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc., have a strong linkage with eradication of poverty and economic progress, it would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table-1.15** summarises the expenditure incurred by the UT Government in expanding and strengthening of social services during 2001-07.

Table-1.15: Expenditure on Social Services

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Education, Sports, Art and Culture						
Revenue expenditure	137.24	153.22	157.86	177.64	192.80	218.57
Of which						
(a) Salary component	95.70	104.61	109.30	122.30	126.36	143.43
(b) Non-salary component	41.54	48.61	48.56	55.34	66.44	75.14
Capital expenditure	6.61	14.69	12.09	16.82	38.69	18.31
Total expenditure	**143.85**	**167.91**	**169.95**	**194.46**	**231.49**	**236.88**
Health and Family Welfare						
Revenue expenditure	79.95	77.90	81.79	93.44	107.83	167.91
Of which						
(a) Salary component	46.02	49.03	52.66	57.48	64.81	73.68
(b) Non-salary component	33.93	28.87	29.13	35.96	43.02	94.23
Capital expenditure	0.54	2.15	3.59	8.30	10.51	13.25
Total expenditure	**80.49**	**80.05**	**85.38**	**101.74**	**118.34**	**181.16**
Water Supply, Sanitation, Housing and Urban Development						
Revenue expenditure	31.93	43.16	55.98	104.09	115.81	99.98
Of which						
(a) Salary component	4.73	4.85	4.88	5.27	5.43	6.67
(b) Non-salary component	27.20	38.31	51.10	98.82	110.38	93.31
Capital expenditure	14.61	21.84	27.21	34.25	40.84	38.32
Total expenditure	**46.54**	**65.00**	**83.19**	**138.34**	**156.65**	**138.30**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Other Social Services						
Revenue expenditure	70.08	86.79	115.50	203.80	267.42	214.77
Of which						
(a) Salary component	15.90	17.02	18.59	16.22	13.77	18.95
(b) Non-salary component	54.18	69.77	96.91	187.58	253.66	195.82
Capital expenditure	0.47	1.00	0.89	5.00	3.63	5.46
Total expenditure	**70.55**	**87.79**	**116.39**	**208.80**	**271.05**	**220.23**
Total (Social Services)						
Revenue expenditure	319.20	361.07	411.13	578.97	683.86	701.23
Of which						
(a) Salary component	162.35	175.51	185.43	201.27	210.36	242.73
(b) Non-salary component	156.85	185.56	225.70	377.70	473.50	458.50
Capital expenditure	22.23	39.68	43.78	64.37	93.67	75.34
Total expenditure	**341.43**	**400.75**	**454.91**	**643.34**	**777.53**	**776.57**

The allocation to social services increased at an average annual growth rate of 21 *per cent* from Rs 341.43 crore in 2001-02 to Rs 776.57 crore in 2006-07. Expenditure on social services during current year accounted for 34 *per cent* of total expenditure and 43 *per cent* of developmental expenditure[5]. Relative to 2005-06, the revenue expenditure under 'Social Services' increased due to revision of pay scales of Government employees of Education and Health departments. A consistent increase in expenditure on education and health sectors during the period 2001-07 as well as its dominant proportion in both the revenue and total expenditure incurred on social services indicates the Government's increasing commitment to improve social well being of the society.

1.5.3 Expenditure on Economic Services

Expenditure on economic services includes all such expenditures as to promote directly or indirectly, productive capacity within the States' economy. The trend of expenditure under various components of this sector are shown in **Table 1.16**.

[5] Developmental expenditure is defined as the total expenditure made on social and economic services

Table-1.16: Expenditure on Economic Sector

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Agriculture and Allied Activities						
Revenue expenditure ***Of which***	48.16	49.74	56.92	70.59	89.86	100.98
(a) Salary component	14.96	15.51	16.81	18.38	17.89	23.93
(b) Non-salary component	33.20	34.23	40.11	52.21	71.97	77.05
Capital expenditure	5.75	3.43	2.77	5.84	5.49	18.31
Total expenditure	**53.91**	**53.17**	**59.69**	**76.43**	**95.35**	**119.29**
Irrigation and Flood Control						
Revenue expenditure ***Of which***	11.30	13.94	13.24	18.57	17.70	19.15
(a) Salary component	6.41	6.06	6.35	7.15	4.80	5.42
(b) Non-salary component	4.89	7.88	6.89	11.42	12.90	13.73
Capital expenditure	7.16	17.31	10.27	23.64	31.99	39.50
Total expenditure	**18.46**	**31.25**	**23.51**	**42.21**	**49.69**	**58.65**
Power and Energy						
Revenue expenditure ***Of which***	408.68	407.98	428.18	448.88	450.57	488.45
(a) Salary component	14.44	15.07	16.09	17.41	18.48	29.20
(b) Non-salary component	394.24	392.91	412.09	431.47	432.09	459.25
Capital expenditure	24.93	22.04	23.30	25.07	28.62	38.74
Total expenditure	**433.61**	**430.02**	**451.48**	**473.95**	**479.19**	**527.19**
Transport						
Revenue expenditure ***Of which***	15.27	19.00	23.21	29.00	48.45	44.66
(a) Salary component	3.74	3.99	4.10	4.34	4.53	4.81
(b) Non-salary component	11.53	15.01	19.11	24.66	43.92	39.85
Capital expenditure	15.71	21.66	22.76	25.59	54.87	56.09
Total expenditure	**30.98**	**40.66**	**45.97**	**54.59**	**103.32**	**100.75**
Other Economic Services						
Revenue expenditure ***Of which***	70.71	47.64	63.66	81.20	119.44	105.31
(a) Salary component	8.52	8.58	9.37	10.10	10.33	12.20
(b) Non-salary component	62.19	39.06	54.29	71.10	109.11	93.11
Capital expenditure	28.90	23.25	32.51	33.11	48.13	99.05
Total expenditure	**99.61**	**70.89**	**96.17**	**114.31**	**167.57**	**204.36**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total (Economic Services)						
Revenue expenditure	554.12	538.30	585.21	648.24	726.03	758.55
Of which						
(a) Salary component	48.07	49.21	52.72	57.38	56.04	75.56
(b) Non-salary component	506.05	489.09	532.49	590.86	669.99	682.99
Capital expenditure	82.45	87.69	91.61	113.25	169.10	251.69
Total expenditure	**636.57**	**625.99**	**676.82**	**761.49**	**895.13**	**1,010.24**

The allocation to economic services increased at an average annual growth rate of 10 *per cent* from Rs 637 crore in 2001-02 to Rs 1,010 crore in 2006-07. The expenditure on Economic Services (Rs 1,010 crore) during 2006-07 (**Table-1.16**) accounted for 44 *per cent* of the total expenditure and 57 *per cent* of the development expenditure. Of this, 52 *per cent* was spent on Power and Energy. While the increase in the revenue expenditure under this sector over 2005-06 was due to revision of pay scales of Government employees in Agriculture and Electricity departments, the sharp increase in Capital expenditure was due to increased investments in Government companies and establishment of fishing harbour at Karaikal.

1.5.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six year period 2001-07 is presented in **Table-1.17.**

Table-1.17: Financial assistance to local bodies and other institutions

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Educational Institutions (Aided Schools)	9.15	8.75	12.01	10.90	*11.54	10.93
Municipal Corporations and Municipalities	16.62	26.89	21.73	19.24	43.26	40.67
Commune Panchayats	12.10	11.49	14.39	8.27	31.11	19.78
Statutory Boards/Authorities	48.10	48.96	61.59	152.43	*218.44	151.50
Co-operatives	11.50	9.53	15.44	31.71	25.47	27.78
Other Institutions**	2.80	5.24	6.50	5.59	2.28	9.57
Total	**100.27**	**110.86**	**131.66**	**228.14**	**332.10**	**260.23**
Assistance as per percentage of Revenue Expenditure	9	10	10	14	19	14

* **Differs from last year's report due to rectification of misclassification**

** **Welfare societies and Hindu religious institutions**

The financial assistance extended to local bodies and other institutions decreased from Rs 332.10 crore in 2005-06 to Rs 260.23 crore in 2006-07.

The decrease was mainly due to lesser assistance to Project Implementation Agency and local bodies for Tsunami relief over 2005-06.

1.5.5 Delay in furnishing utilisation certificates

Of the 2,587 utilisation certificates (UC) due in respect of grants and loans aggregating Rs 464.66 crore paid up to March 2006, 1,718 UCs for an aggregate amount of Rs 292.85 crore were not received by March 2007. Details of department-wise break-up of outstanding UCs are given in **Appendix 1.6**. Audit scrutiny revealed that Puducherry and Oulgaret Municipalities did not refund Rs 17.97 lakh though the works for which this amount was given as grant were executed under other schemes. Besides, these Municipalities did not furnish UCs for Rs 59.62 lakh though the works were completed during May 2003 to February 2007 as final bills were not settled.

1.5.6 Non-submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance and the total expenditure of the institutions. As 43 autonomous bodies did not furnish 71 accounts relating to 2001-02 to 2006-07, institutions which attract audit could not be determined.

1.5.7 Abstract of performance of the autonomous bodies

Audit of accounts of Union Territory of Puducherry Legal Services Authority has been entrusted to the Comptroller and Auditor General of India under section 19(2) of Comptroller and Auditor General of India (Duties, Powers and Conditions of Service) Act, 1971. The Separate Audit Report for the year 2005-06 was placed before the Legislature in April 2007.

1.6 Misappropriations, losses, defalcations, etc.

State Government reported 297 cases of misappropriation, defalcation, etc involving Government money amounting to Rs 7.41 crore up to the period March 2007 on which final action was pending. The department-wise break up of pending cases is given in **Appendix 1.7**.

In Para 1.6.8 of Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, Audit pointed out the non-reconciliation of Government receipts by Electricity Department leading to misappropriation by the cashier. The reconciliation was, however, not carried out and it was noticed in audit that Rs 79.96 lakh shown as remitted by cheque during October 2006 towards power bill was not credited to Government Account by State Bank of India, Yanam. When the non-accountal of revenue was pointed out by Audit in July 2007, the Bank credited the money and attributed the delay to administrative reason. It was, however, seen in audit that the challan kept by the cashier in proof of remittance of the cheque in October 2006 did not bear the stamp of the Bank. As such, the remittance shown in cash book was doubtful and the non-remittance would have gone undetected but for the remittance verification by Audit. The matter has been brought to the notice of the Government by Audit for Vigilance investigation.

1.7 Assets and liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, Government accounts do capture the financial liabilities of Government and the assets created out of the expenditure incurred. **Appendix 1.5** gives an abstract of such liabilities and the assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. While the liabilities in this Appendix consist mainly of loans and advances from the GOI, the assets comprise mainly the capital outlay and loans and advances given by the UT Government and cash balance. The good financial position of the Government is revealed by the fact that the Government liabilities constitutes only 87 *per cent* of the assets. **Appendix 1.2** depicts the time series data on UT Government finances for the period 2001-07.

1.7.1 Incomplete projects

There were 46 incomplete projects which were scheduled for completion before 31 March 2007 on which Rs 57.90 crore of Capital expenditure was incurred. The time over-run noticed as of March 2007 on incomplete projects ranged between nine days to 633 days. In respect of seven projects, Rs 21.82 crore were spent as of March 2007 against the budgeted cost of Rs 15.37 crore and no revised sanction were issued for these works.

1.7.2 Investments and returns

As of 31 March 2007, Government had invested Rs 712.36 crore mainly in Government companies and Co-operatives (**Table-1.18**). The return on this investment was 0.1 to 0.6 *per cent* during 2001-07 while the Government paid interest at the average rate of 9.4 to 11.5 *per cent* on its borrowings during 2001-07.

Table-1.18: Return on investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowing	Difference between interest rate and return
	(Rupees in crore)		(*per cent*)		
2001-02	446.76	0.73	0.2	11.5	11.3
2002-03	476.59	2.84	0.6	11.2	10.6
2003-04	517.85	2.47	0.5	11.1	10.6
2004-05	554.12	2.79	0.5	10.7	10.2
2005-06	606.98	1.74	0.3	10.2	9.9
2006-07	712.36	1.03	0.1	9.4	9.3

The UT Government made investment of Rs 105.39 crore during 2006-07. The sectors/companies where major investments were made were (i) Pondicherry Industrial Promotion, Development and Investment Corporation Limited (Rs 56.50 crore), (ii) Pondicherry Textiles Corporation Limited (Rs 17 crore) and Co-operative Institutions (Rs 18.67 crore). The investment included Rs 565.09 crore in 15 Public Sector Undertakings, of which twelve were owned by the UT Government. Of this, five companies are profit earning and six are loss making; one company had not finalised its first account. Two companies declared dividend aggregating Rs 82.56 lakh.

1.7.3 Loans and advances by UT Government

In addition to investments in Co-operative societies, Corporation and Companies, Government has also been providing loans and advances to many of these institutions/organisations, local bodies, Government servants and others. Total outstanding loans and advances as on 31 March 2007 was Rs 36.74 crore **(Table-1.19).**

Table-1.19: Average interest received on loans advanced by the UT Government

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Opening balance*	53.74	50.82	50.16	44.89	44.06	41.76
Amount advanced during the year	7.32	5.43	4.95	5.46	3.85	3.08
Amount repaid during the year	6.24	5.88	6.22	6.26	6.15	8.11
Closing balance*	54.82	50.37	48.89	44.09	41.76	36.74

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Net addition	1.08	(-) 0.45	(-) 1.27	(-) 0.80	(-) 2.30	(-) 5.02
Interest received	3.15	1.83	1.82	1.97	2.07	5.53
Interest received as *per cent* to outstanding loans and advances	5.7	3.6	3.7	4.5	5.0	15.1
Average interest rate (in *per cent*) paid on borrowings by UT Government.	11.5	11.2	11.1	10.7	10.2	9.4
Difference between average interest paid and received (*per cent*)	5.8	7.6	7.4	6.2	5.2	(-) 5.7

* The difference between opening balance and closing balance of previous year were due to *pro forma* corrections made during the respective years.

During the current year major portion of loan was advanced to Co-operative Institutions (Rs 1.07 crore) and to Government servants for purchase of conveyance and computers (Rs 1.72 crore). The increased recovery during 2006-07 was due to writing off of Rs 2.39 crore due from Village Housing Projects. Similarly, interest received included Rs 3.24 crore being the written off interest due from Village Housing Projects. Excluding this, interest received against the loans advanced was 6.2 *per cent* during 2006-07 as against five *per cent* in previous year and the difference between interest paid and received would be 3.2 *per cent* instead of (-) 5.7 *per cent.*

Five Heads of Departments viz., Social Welfare, Fisheries, Industries, Local Administration and Civil Supplies had not given the certificates of acceptance of balances outstanding as reflected in Government account.

Audit scrutiny of the loan recovery records maintained by Agriculture, Social Welfare, Fisheries and Industries departments revealed the following:

- The Agriculture Department did not take any action to recover the loan of Rs 1.48 crore outstanding from a private sugar mill which ceased to function from 2003-04. The assets of the mill were sold by a nationalised bank and after recovering the dues, the balance amount was kept under the custody of High Court.
- Though the Social Welfare Department obtained Government orders in January 2007 for writing off the balance of Rs 2,306 and Rs 3,279 under the head 6235-02-800 and 6250-800 respectively, the outstanding loan were not written off from Government accounts during 2006-07.
- The balances under various heads recorded in the books of the Fisheries Department did not match with those reflected in Government Accounts.

- Industries Department released loans on personal security to 85 persons (Rs 6.82 lakh – Principal : Rs 1.85 lakh and Interest : Rs 4.97 lakh) which could not be recovered through Revenue Recovery Act. Besides, out of 59 loanees who received loan on mortgaging their assets, the whereabouts of 52 loanees could not be traced and seven loanees expired. Consequently, the Department sent write off proposals for Rs 14.80 lakh (Principal : Rs 4.41 lakh and Interest : Rs 10.39 lakh) in respect of all the 59 loanees in March 2005.

1.8 Undischarged liabilities

1.8.1 Fiscal liabilities – Public debt and guarantees

The fiscal liability of the UT Government was only public debt which comprises loans and advances from the Central Government and is reported in the Annual Financial Statements under the Consolidated Fund – Capital Accounts.

Table-1.20 gives the fiscal liabilities of the UT, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.20: Fiscal liabilities – Basic parameters

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities (Rupees in crore)	945	1,113	1,312	1,553	1,820	2,168
Rate of Growth (*per cent*)	17.4	17.8	17.9	18.4	17.2	19.1
Ratio of Fiscal Liabilities to						
GSDP (*per cent*)	22	23	24	30	32	34
Revenue Receipts (*per cent*)	88	94	101	95	101	115
Own Resources (*per cent*)	165	162	163	172	184	194
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	1.7	1.1	1.7	(-) 4.0[6]	1.8	1.8
Revenue Receipts (ratio)	1.3	1.7	1.8	0.7	1.6	4.2
Own Resources (ratio)	4.0	0.9	1.0	1.5	1.8	1.5

---

6 Negative buoyancy of fiscal liabilities to GSDP is due to decline in the growth rate of GSDP

Overall fiscal liabilities of the UT increased from Rs 945 crore in 2001-02 to Rs 2,168 crore in 2006-07. The growth rate of fiscal liabilities was 19.1 *per cent* during 2006-07 over previous year. The fiscal liabilities of the UT at the close of the year 2006-07 comprised of non-plan loans (Rs 1,614.64 crore); loans for plan schemes (Rs 551.94 crore) and loans for CSS (Rs 1.16 crore). The ratio of fiscal liabilities to GSDP also increased from 22 *per cent* in 2001-02 to 34 *per cent* in 2006-07. These liabilities stood at 1.15 times of revenue receipts and 1.94 times of the own resources of the UT as at the end of 2006-07. The fiscal liabilities had grown faster than the GSDP of the UT during 2001-06 except in 2004-05. The buoyancy of these liabilities with reference to GSDP and Revenue Receipts during 2006-07 was more than one indicating higher growth of fiscal liabilities compared to growth of revenue.

1.8.2 Status of guarantees – contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended. Though the Government of UT Act, 1963, was amended empowering the Government of Puducherry to maintain separate cash balance and give guarantees on the strength of its Consolidated Fund yet the UT Government had not maintained separate cash balance. The guarantees for the purpose of administration of the UT are continued to be given by the GOI. In the event of any guarantee being invoked, the payment is made initially by GOI and subsequently recovered from the UT Government. Statement 5 of the Finance Accounts gives the maximum amount for which guarantees were given by GOI and outstanding guarantees at the end of the year since 2001-02 as shown in **Table-1.21.**

Table-1.21: Guarantees given by Government of India for the Government of Union Territory of Puducherry

(Rupees in crore)

Year	Maximum amount guaranteed	Outstanding amount of guarantees
2001-02	37.55	22.90
2002-03	37.55	18.38
2003-04	34.94	11.38
2004-05	22.14	8.53
2005-06	34.94	7.78
2006-07	33.78	4.26

No guarantee was invoked during any of the six years.

1.9 Debt Sustainability

The debt sustainability is defined as the ability of the UT to maintain a constant Debt-GSDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to service the debt. A prior condition for debt sustainability is the debt stabilisation in term of debt/GSDP ratio.

1.9.1 Debt stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the Debt-GSDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt * rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, Debt-GSDP ratio would be constant or debt would stabilise eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, Debt-GSDP ratio would be rising and in case it is positive, Debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards the debt stabilisation are indicated in **Table 1.22**.

Table 1.22 : Debt stabilisation : Indicators and Trends

	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate (*per cent*)	11.2	11.1	10.7	10.2	9.4
GSDP growth (*per cent*)	15.8	10.3	(-) 4.5	9.8	10.5
Interest spread (*per cent*)	4.6	(-) 0.8	(-) 15.2	(-) 0.4	1.1
Outstanding Debt (Rs crore)	1,113	1,312	1,553	1,820	2,168
Quantum Spread (Rs crore)	51.20	(-) 10.50	(-) 236.06	(-) 7.28	23.85
Primary Deficit (-) / Surplus (+) (Rs crore)	(+) 3	(-) 2	(+) 19	(-) 108	(-) 211

Table 1.22 reveals that quantum spread together with primary deficit except in 2002-03, continued to remain negative from 2003-04 to 2006-07 indicating the rising Debt-GSDP ratio which has increased from 24 to 34 *per cent* during this period. Although the ratio of fiscal liabilities to GSDP is relatively low but its increasing trend viewed along with the increasing Fiscal Deficit – GSDP ratio is cause of concern as it may impair the UT's capacity to sustain debt in the medium to long run.

1.9.2 Sufficiency of non-debt receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. **Table 1.23** indicates the resource gap as defined for the period 2001-07.

Table 1.23: Incremental revenue receipts and expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2001-02	127	169	15	184	(-) 57
2002-03	112	64	15	79	(+) 33
2003-04	118	123	18	141	(-) 23
2004-05	328	307	19	326	(+) 2
2005-06	171	298	18	316	(-) 145
2006-07	84	187	16	203	(-) 119

The negative resource gap indicated the non-sustainability of debt while the positive resource gap strengthens the capacity of the State to sustain the debt. Although a cycle of positive and negative resource gap was observed during the period 2001-05 but the magnitude of the gaps were small and might have not posed any problem. However, huge negative gap during the last two years may deteriorate capacity of the UT to sustain the debt in the medium to long run unless the trend is reversed in the ensuing years.

1.9.3 Net availability of funds

Borrowings from GOI constitute the debt of the UT. The ratio of debt redemption (Principal and Interest Payments) to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing revenue expenditure; and (b) being used efficiently and productively for capital expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table-1.24 below gives the position of the receipt and repayment of loans and advances from GOI over the last six years.

Table-1.24: Net availability of borrowed funds

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Loans and advances from GOI						
Receipts	193.34	229.96	268.40	347.54	353.33	443.76
Repayment (Principal + Interest)	155.07	177.06	203.84	259.70	257.40	283.65
Net fund available	38.27	52.90	64.56	87.84	95.93	160.11
Net fund available (*per cent*)	20	23	24	25	27	36

The net funds available on account of the loans and advances from the GOI after providing for interest and repayments increased from 20 *per cent* in 2001-02 to 36 *per cent* in 2006-07.

1.10 Management of deficits

Deficit in the Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health.

1.10.1 Trends in Deficits

The trends in fiscal parameters depicting the position of fiscal equilibrium in the UT are presented in **Table 1.25**.

Table-1.25: Fiscal imbalances: Basic parameters

(Value - Rupees in crore and ratios in *per cent*)

Parameters	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue deficit (RD) (-)/Revenue surplus (+)	(-) 26	(+) 34	(+) 9	(+) 58	(+) 8	(-) 43
Fiscal deficit (FD)	(-) 146	(-) 113	(-) 136	(-) 134	(-) 279	(-) 398
Primary deficit (PD) (-)/ Primary Surplus (+)	(-) 45	(+) 3	(-) 2	(+) 19	(-) 108	(-) 211
RD/GSDP	0.6	--	--	--	--	0.7
FD/GSDP	3.4	2.3	2.5	2.6	4.9	6.3
PD/GSDP	1.0	--	negligible	--	1.9	3.3
RD/FD	17.8	--	--	--	--	10.8

-- indicates surplus

Revenue deficit indicates the excess of revenue expenditure over revenue receipts. It is revealed from the trends in Table 1.25 that after experiencing revenue surplus for four years (2002-06) although with wide inter year variations, it turned into revenue deficit during the current year as revenue receipts increased by five *per cent* (Rs 82 crore) against the increase of seven *per cent* (Rs 133 crore) in revenue expenditure over previous year resulting in an increase of deficit of Rs 51 crore during 2006-07 from the revenue surplus of Rs eight crore in previous year. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs 146 crore in 2001-02 to Rs 398 crore in 2006-07. Given the deficit of Rs 51 crore in revenue account in 2006-07 along with an increase of Rs two crore under non-debt capital receipts accompanied with an increase of Rs 71 crore in capital expenditure and a decline of Rs one crore in disbursement of loans and advances led to an increase of Rs 119 crore in fiscal deficit during 2006-07 from the level of Rs 279 crore in 2005-06. As proportion to GSDP, fiscal deficit had reached 6.3 *per cent* in 2006-07.

An increase of Rs 119 crore in fiscal deficit along with an increase of Rs 16 crore in interest payments led to an increase of Rs 103 crore in primary deficit during 2006-07 from Rs 108 crore in 2005-06.

1.10.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary Deficit into primary revenue deficit[7] and capital expenditure (including loans and advances) would indicate the quality of deficit in the State's finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. After experiencing revenue surplus for four years (2002-06) although with wide inter year variations, revenue account of UT turned into deficit again during the current year indicating the fact that some part of borrowed funds are diverted towards current consumption.

Table 1.26: Primary deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue expenditure	Capital expenditure	Loans and advances	Primary Expenditure	Primary revenue deficit (-) / surplus (+)	Primary deficit (-) / surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2001-02	1,079	998	119	7	1,124	81	(-) 45
2002-03	1,191	1,035	148	5	1,188	156	(+) 3
2003-04	1,309	1,160	146	5	1,311	149	(-) 2
2004-05	1,637	1,420	193	5	1,618	217	(+) 19
2005-06	1,808	1,623	289	4	1,916	185	(-) 108
2006-07	1,892	1,740	360	3	2,103	152	(-) 211

7 Primary revenue deficit defined as gap between non interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account

The bifurcation of the factors resulting into primary deficit or surplus of the State during the period 2001-07 reveals (**Table 1.26**) that the State has not only experienced the primary revenue surplus throughout this period but it increased from Rs 81 crore in 2001-02 to Rs 152 crore in 2006-07 with wide inter year fluctuations. In other word non-debt receipt of the State were enough to meet the primary expenditure requirement in the revenue account rather left some receipts to meet the expenditure under the capital account. It was only during 2002-03 and 2004-05, the UT of the Puducherry experienced the primary surplus when total non-debt receipts were adequate to meet the total primary expenditure and in the remaining years it experienced the primary deficit largely on account of increasing capital expenditure.

1.11 Fiscal Ratios

The table on indicators of fiscal health relating to 2006-07 of UT of Puducherry is given below:

Table 1.27: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07
(1)	(2)	(3)	(4)	(5)	(6)
I Resource Mobilisation					
Revenue Receipt/GSDP	24	24	31	32	30
Revenue Buoyancy	0.7	1.0	(-) 5.6	1.1	0.4
Own Tax/GSDP	5.6	6.5	7.8	8.4	9.0
Own Tax buoyancy	0.2	2.7	(-) 3.2	1.9	1.8
II Expenditure Management					
Total Expenditure/GSDP	26	27	34	37	36
Revenue Receipts/ Total Expenditure	91	90	92	86	82
Revenue Expenditure/Total Expenditure	89	90	89	86	84
Capital Expenditure/Total Expenditure	11	10	11	14	16
Buoyancy of TE with RR	0.6	1.1	0.9	1.7	2.1
Buoyancy of RE with RR	0.5	1.2	0.9	1.3	1.6
III Management of Fiscal Imbalances					
Revenue deficit (-) /Revenue Surplus (+) (Rs in crore)	(+) 34	(+) 9	(+) 58	(+) 8	(-) 43
Fiscal deficit (Rs in crore)	(-) 113	(-) 136	(-) 134	(-) 279	(-) 398
Primary Deficit (-)/ Primary Surplus (+) (Rs in crore)	(+) 3	(-) 2	(+) 19	(-) 108	(-) 211
Revenue Deficit/Fiscal Deficit	-	-	-	-	11

(1)	(2)	(3)	(4)	(5)	(6)
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	23	24	30	32	34
Fiscal Liabilities/RR	94	101	95	101	115
Buoyancy of FL with RR	1.7	1.8	0.7	1.6	4.2
Buoyancy of FL with Own Receipt	0.9	1.0	1.5	1.8	1.5
Net Funds Available under Public Debt	23	24	25	27	36
V Other Fiscal Health Indicators					
Return on Investment	0.6	0.5	0.5	0.3	0.1
Financial Assets/Liabilities	1.26	1.23	1.23	1.20	1.15

1.12 Conclusion

The performance of UT of Puducherry viewed in terms of key fiscal parameters – revenue, fiscal and primary deficits – indicates deteriorating fiscal health during 2006-07 over the previous year. Mobilisation of resources by the UT comprising its tax and non-tax revenue as well as recovery of loans and advances could not meet the Non-plan revenue expenditure and the Government was heavily dependent on grants from GOI for meeting both NPRE and PRE requirements during the current year. NPRE not only continued to constitute the dominant proportion of revenue expenditure but within NPRE the four items – salaries, pension payments, interest payments and subsidies – shared more than half during 2006-07. Moreover, the increasing fiscal liabilities accompanied with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to a situation of unsustainable debt situation in medium to long run unless suitable measures are initiated to compress the Non-plan revenue expenditure and to mobilise the additional resources both through the tax and non tax sources in ensuing years.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

In accordance with the provisions of Section 29 of the Government of Union Territories Act, 1963, soon after grants under Section 28 are made by the Union Territory (UT) Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the UT. The Appropriation Act passed by the Legislature contains authority to appropriate certain sums from the Consolidated Fund of the UT for specified services. Supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Section 30 of the Government of Union Territories Act, 1963.

The Appropriation Act includes expenditure which has been voted by the Legislature on various grants in terms of Sections 29 and 30 of the Government of Union Territories Act, 1963 and also expenditure which is required to be charged on the Consolidated Fund of the UT. The Appropriation Accounts are prepared every year indicating details of amounts spent on various specified services by Government *vis-à-vis* those authorised by the Appropriation Act.

The objective of Appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The 44 demands for grants approved by the Legislature comprise Voted grants (Revenue (32) and Capital (12)) and seven Charged appropriations (Revenue (six) and Capital (one)) totalling 51 grants/appropriations. The summarised position of actual expenditure during 2006-07 against these grants and appropriations is as follows:

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure[1]	Saving (-)/ Excess (+)
Voted	I Revenue	1,775.11	155.12	1,930.23	1,741.40	**(-) 188.83**
	II Capital	646.47	23.40	669.87	378.80	**(-) 291.07**
	III Loans and Advances	5.09	--	5.09	3.08	**(-) 2.01**
Total-Voted		**2,426.67**	**178.52**	**2,605.19**	**2,123.28**	**(-) 481.91**
Charged	IV Revenue	184.63	4.68	189.31	189.19	**(-) 0.12**
	V Capital	--	--	--	--	--
	VI Public Debt	74.70	21.61	96.31	96.31	--
Total-Charged		**259.33**	**26.29**	**285.62**	**285.50**	**(-) 0.12**
Grand Total		**2,686.00**	**204.81**	**2,890.81**	**2,408.78**	**(-) 482.03**

Overall savings of Rs 482.03 crore was the result of savings in 44 grants and seven appropriations (51 cases). The schemes under which the savings mainly occurred and the reasons therefor are given in Appropriation Accounts for the year 2006-07.

2.3 Results of Appropriation Audit

Supplementary provision

2.3.1 Supplementary provision constituted eight *per cent* of the original provision as against 15 *per cent* in the previous year.

[1] These are gross expenditure figures without taking into account the recoveries adjusted in accounts as reduction of expenditure.

2.3.2 In four grants, against additional requirement of Rs 88.14 crore, supplementary provisions of Rs 93.07 crore were obtained resulting in aggregate savings of Rs 4.93 crore (Details are given in **Appendix – 2.1**). The savings in each case exceeded Rs 50 lakh. In one grant[2], the entire supplementary provision of Rs 4.38 lakh proved unnecessary as there was a saving of Rs 20.11 lakh.

2.3.3 In 102 cases, expenditure fell short by Rs 50 lakh or more in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs 601.92 crore (Details are given in **Appendix – 2.2**). In 22 out of these 102 cases, the entire provision of Rs 356.16 crore was not spent. In 58 cases, the expenditure exceeded the approved provisions (both Original and Supplementary) by more than Rs 50 lakh and also by more than 10 *per cent* of the total provision, resulting in an excess of Rs 130.46 crore. In 25 out of these 58 cases, the expenditure exceeded the approved provision by 100 *per cent*. (Details are given in **Appendix – 2.3**).

2.3.4 Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. In five cases, re-appropriation was proved unnecessary (Details are given in **Appendix – 2.4**).

2.3.5 Anticipated savings not surrendered

The departments surrender the grants/appropriations or portions thereof whenever savings are anticipated. As against the total savings of Rs 482.03 crore in all grants/appropriations during 2006-07, the departments surrendered Rs 470.51 crore on 31 March 2007. It was, however, observed that anticipated savings of more than Rs 25 lakh each in 7 cases amounting to Rs 9.90 crore were not surrendered (Details are given in **Appendix – 2.5**).

2.3.6 Expenditure on Centrally Sponsored Schemes

Out of Rs 31.71 crore provided as Final Modified Grant (FMG) for implementing 87 Centrally Sponsored Schemes, Rs 29.53 crore (93 *per cent*) were spent. While no expenditure was incurred in respect of 5 schemes (FMG : Rs 0.52 crore), the expenditure was less than 50 *per cent* of provision in respect of seven schemes.

2.4 Comments on expenditure and budgetary control

Scrutiny of the records relating to budgeting and expenditure control maintained by Animal Husbandry, Public Works, Transport, Information

2 Grant 24 'Agriculture' (Revenue – voted)

and Publicity, Co-operation and Industries departments revealed the following:

2.4.1 Unnecessary provision of funds

Unnecessary provision of funds was made in the following cases resulting in huge re-appropriation:

Head of Account and description	Budget provision	Actual Expenditure	Amount withdrawn by Re-appropriation	Remarks
	(Rupees in lakh)			
Grant No.16 4059.01.051(3) Construction of Assembly Building	250.00	26.00	224.00	Funds provided on *ad hoc* basis for payment of consultancy charges even before clearance of work by High Level Committee.
4059.80.800(1) Construction of infrastructural facilities in the Tsunami affected areas	250.00	32.80	217.20	Provision of funds was made on *ad hoc* basis. While one Division spent Rs 14.80 lakh only, out of Rs 160 lakh, another Division could obtain sanction for works amounting to Rs 27.50 lakh only, against the allotment of Rs 80 lakh. Of this, one work was not approved as it did not come under the jurisdiction of Tsunami affected areas.
Grant No.19 5452.80.190(2)(1) Share Capital contribution to joint venture	100.00	--	100.00	Funds were provided before clearance of the 'Splendor Train' project by Railway Board.

2.4.2 Excess provision of funds

Funds were provided in excess of requirement in the following cases resulting in savings:

(Rupees in crore)

Head of Account and description	Budget provision/ Revised Estimate	Requirement as revealed from the records of the department	Excess over requirement	Savings
Grant No.8 Transport 3075.60.800(1) - Matching grant for Railways for Electrification	2.00	0.18	1.82	1.89
Grant No.16 Public Works 4702.789(1)(1) - Ground Water Recharge Scheme	1.88	1.18	0.70	0.79
Grant No.16 Public Works 4711.03.800(3)(1) - Creation of infrastructural facilities in Tsunami affected areas	25.00	20.00	5.00	13.02
Grant No.32 Building Programmes 4210.01.110(2)(1) - Construction of Women and Children Hospital	13.34	10.00	3.34	2.59

Out of Rs 1.50 crore provided for giving loans to Government servants towards House Building Advance, Rs 1.27 crore were surrendered in March 2007 due to less demand from Government servants than anticipated. Though there was a huge surrender of funds during 2004-05 and 2005-06 under House Building Advance, provision of huge amount proved excessive and resulted in surrender.

2.4.3 Erroneous provision of funds

The Chief Engineer, Public Works Department provided Rs eight crore for Yanam region for creation of infrastructural facilities in Tsunami affected areas and spent it. As Yanam region was not notified as affected by Tsunami, provision of funds was erroneous.

Expenditure on flood relief works and rehabilitation works for Rs 4.18 crore was wrongly provided under the head 2245.02.101(1), which relates to payment of cash doles to the victims of natural calamities like fire, flood etc.

2.4.4 Funds provided under Supplementary grant before sanction of schemes

In the following cases, funds were provided by Director of Animal Husbandry under supplementary grant to meet the expenditure on revision of pay scales, increase in Dearness Allowance and increase in cost of fuel.

(Rupees in lakh)

Head of Account	Provision		FMG	Actual Expenditure	Savings
	Original	Supplementary			
2403.101(1)(1)	85.67	40.23	125.90	107. 02	18.88
2403.102(1)(1)	101.11	57.56	158.67	149.29	9.38
2403.102(1)(2)	27.59	34.12	61.71	51.34	10.37

The provision was, however, could not be used for the purpose as proposal of Assured Career Progression was not approved by Government and savings resulted. Provision of funds in supplementary grant even before sanction of scheme was in contravention of provisions of General Financial Rules.

2.4.5 Advance drawal of funds

Grants-in-aid released/drawn far in advance of requirement were either deposited or lying with the implementing organsiations in the following cases:

(Rupees in lakh)

Head of Account/ description	Amount drawn	Remarks
Grant No.22 Co-operation 2401.195(9) - Assistance to Agricultural Credit Co-operative Societies	550.00	The amount was drawn and deposited with Pondicherry State Co-operative Bank Limited pending receipt of orders from Government of India for waiver of loan and interest due from the farmers to the Bank.
Grant No.28 Industries 2851.003(1)(1) and 2851.789(1)(1) - Construction of a separate Office-cum-Training Hall	87.40	Although the grant of Rs 18 lakh released in March 2006 was not utilised by the Puducherry Management and Productivity Council (as additional land required for the work was not transferred by the Director of Industries and estimate was not prepared for executing the work). Yet, Rs 87.40 lakh was released during this year.

2.4.6 New service/New instrument of service

Expenditure on a scheme/service not contemplated in the Budget estimate constitute New service/New instrument of service. In such cases, expenditure can be incurred only after obtaining either an advance from the Contingency Fund pending authorisation by the Legislature or provision of funds through supplementary estimates. The Committee on Public Accounts (PAC), fixed (March 2004) the monetary limit for determining the expenditure on the New service/New instrument of service as Rs five lakh for recurring expenditure and Rs 10 lakh for non-recurring and works expenditure. Besides, PAC also prescribed monetary limits for release of grants, share capital and loan to Government companies/autonomous bodies etc. without obtaining the approval of the Legislature. Contravening these provisions, the Director of Animal Husbandry incurred expenditure in excess of the limits prescribed for New instrument of service in the following schemes without approval of the Legislature.

Name of the scheme	FMG	Expenditure	Remarks
	(Rupees in lakh)		
Special Livestock Breeding Programme	276.06	271.90	The scheme which was implemented for women's self help groups during 2005-06 was extended to assist Below Poverty Line (BPL) farmers and Rs 133.92 lakh was drawn for extending subsidy to BPL farmers for purchase of milch cows.
Livestock and Poultry Research and Training Centre	90.11	89.18	The scheme, which provided for distribution of 16 week layer pullets (birds) to farmers free of cost was modified to include additional inputs like feed and cage and Rs 51.36 lakh was drawn for purchase of cages.

2.4.7 Non-furnishing of specific reasons for withdrawal of funds

The Plan outlay of Rs 1,410 crore approved by the Planning Commission for 2006-07 was revised to Rs 1,043.45 crore at the Revised Estimate stage due to non-materialisation of loans from Housing and Urban Development Corporation Limited (Rs 247 crore), non-drawal of loan from World Bank for Emergency Tsunami Reconstruction Programme and lesser mobilisation of funds from other sources etc. As against the reduction of Plan outlay by Rs 366.55 crore, Government issued orders for surrender/re-appropriation of Rs 483.87 crore on the ground of reduction of plan allocation at Revised Estimate stage. This has resulted in non-furnishing of specific reasons for withdrawal of Rs 117.37 crore.

CHAPTER III
PERFORMANCE AUDIT

PERFORMANCE AUDIT

This chapter presents two performance audits on Urban Water Supply Schemes and Educational Development of Scheduled Castes and one long paragraph on Functioning of the Computerised Billing System in the Government Automobile Workshop, Puducherry.

PUBLIC WORKS DEPARTMENT

3.1 Review on Urban Water Supply Schemes

Highlights

Sixty one per cent of the total population of the Union Territory lives in urban areas and the department implemented a number of water supply schemes mainly to create additional resources/infrastructure to augment the existing water supply. Audit scrutiny of these schemes, however, revealed extraction of ground water in excess of requirement and supply of water in excess of norms prescribed by Government of India. This resulted in creation of unnecessary infrastructure and wastage of water.

Ground water was extracted in excess over requirement in Puducherry, Karaikal and Mahe regions and schemes for using surface water were not implemented in Puducherry and Mahe regions for want of land.

(Paragraphs 3.1.6.1 and 3.1.6.2)

Poor planning and non-adherence to Government of India instructions in designing schemes in Puducherry and Karaikal regions resulted in wasteful expenditure of Rs 82.14 lakh.

(Paragraphs 3.1.7.1 and 3.1.7.2)

Infrastructure facilities beyond requirement were created for treatment and storage of water in Yanam region during 2002-07 at a cost of Rs 10.73 crore.

(Paragraph 3.1.7.3)

Avoidable delay in completion of three schemes and non commissioning of one scheme in Puducherry region and non commissioning of pipelines laid in Yanam region resulted in blocking of Rs 15.09 crore.

(Paragraph 3.1.7.5)

Water tariff did not meet even the operational cost.

(Paragraph 3.1.8.2)

3.1.1 Introduction

The Union Territory (UT) of Puducherry comprises four geographically isolated regions[1] with an urban population of 6.48 lakh[2]. Drinking water requirement in urban areas of Puducherry and Karaikal regions is met by utilising ground water resources. Mahe is provided with drinking water by the Kerala Government on payment and this is augmented by ground water resources. Yanam gets water from Godavari river supplied by Andhra Pradesh Government.

Tenth Plan (2002-07) laid stress on (a) qualitative improvement of water ensuring sustainability of sources on long term basis and diminishing reliance on ground water by increasing use of surface water through rain water harvesting measures (b) revamping the existing system by creating additional resources or replacing quality affected/defunct sources, constructing storage reservoirs, redesigning/relaying of distribution networks to balance supply with demand and (c) monitoring of water supply through surveillance, revamping of operation and maintenance systems and rationalisation of water tariff to deterrent level to check wastage. To achieve these objectives, the UT Government implemented Water Supply Schemes (WSS) in the urban areas during 2002-07 at a cost of Rs 103.27 crore (Capital : Rs 80.76 crore and Revenue : Rs 22.51 crore).

Central Public Health and Environmental Engineering Organisation (CPHEEO) prescribes guidelines for economical designing of various components of WSS, norms for drinking water supply to various categories of consumers and maintenance of WSS. Public Works Department implements water supply augmentation schemes by adopting these guidelines. Puducherry region has been divided into nine zones and works in three zones[3] were completed before the commencement of the tenth plan period. Works in three more zones (Zone II, VI and IX) were completed during the tenth plan and works in the remaining three zones are in progress (March 2007). In Karaikal, augmentation schemes in all the three zones were completed. As there was huge shortfall in supply of water by Kerala Government to Mahe region, the department had taken up (May 2003) laying of a direct pipeline from the treatment plant in Kerala to the service reservoirs as a deposit work by Kerala Water Authority. The work was completed in October 2006. In Yanam, only infrastructure development works were carried out.

1 Puducherry, Karaikal, Mahe and Yanam
2 2001 census
3 Zone I, IV and V

3.1.2 Organisational set up

The Chief Engineer (CE), who is the head of the department, is assisted by the Superintending Engineer II (SE) and four Executive Engineers (EEs) one in each region in implementing WSS. The Secretary to Government is the Administrative Head.

3.1.3 Audit objective

The performance of urban WSS executed in the four regions was reviewed in audit to assess:

- the effectiveness of measures taken for qualitative improvements of water and sustainability of sources with diminishing reliance on ground water and increased utilisation of surface water
- the economy, efficiency and effectiveness in revamping the existing system and creation of additional sources
- the economy, efficiency and effectiveness of the operation and maintenance system.

3.1.4 Audit criteria

- CPHEEO Manual
- Government Plan Document
- Central Public Works Department Works Manual
- Government orders and circulars, instruction issued by Government/ CE/SE.
- Rules on water connection policies in Union Territory of Puducherry

3.1.5 Audit coverage and methodology

Records relating to the execution of WSS by the four divisions of the department during the year 2002-07, and the related records maintained in the office of SE and CE were reviewed during January 2007 to May 2007. Site visits were conducted and discussions were held with the officers. An entry conference was held in February 2007 with the CE. In the exit conference held in June 2007, the Secretary to Government assured to review the status and take up action on the audit observations.

Audit Comments

3.1.6 Sustainability of sources

All the four regions of the UT are situated in the coastal areas and excess extraction of ground water would result in the sea water intrusion thereby affecting the quality of water in the source. To avoid such excess extraction, the department had to formulate schemes to utilise surface water through rain water harvesting measures. Audit scrutiny of the adherence to these instructions by the department revealed the following:

3.1.6.1 Excess extraction of ground water

The department drew ground water in excess of norms prescribed by CPHEEO

CPHEEO prescribed supply of 135 litres/70 litres per capita per day (lpcd) of water for cities having sewerage system and not having sewage system respectively and an additional 15 *per cent* for transmission loss. The department extracted ground water in Puducherry, Karaikal and Mahe regions much in excess of requirement as detailed below:

Region	Population projected from 2001 Census		Norm as per CPHEEO (in lpcd)	Water requirement (in million litres per day (mld))	Water actually drawn and supplied during the month (in mld)
	Month	Population			
Puducherry	May 2007	5,66,426	155.25	87.94	121.85
Karaikal	March 2007	84,843	80.50	6.83	11.00
Mahe	November 2006	38,637	80.50	3.11	4.73*

* **1.45 mld supplied by Kerala Government**

Excessive drawal of ground water over the norms fixed would result in sea water intrusion as was evidenced in the aquifer in the coastal areas of the Puducherry region.

3.1.6.2 Non-utilisation of surface water

Schemes to use surface water were not implemented due to non-acquisition of land

Drinking water requirement of Puducherry region is being met by ground water sources only. With a view to utilise the existing surface water sources in Puducherry, Government appointed a consultant (August 2001) and paid Rs 44 lakh for identifying water availability from Oussudu and Bahour tanks. The report of the consultant (June 2002) recommended utilisation of surplus water from Oussudu tank for about 4 to 5 months in a year till the year 2011 and for the entire year during 2012 to 2021. A site was selected in August 2003 for constructing a treatment plant for using the water from this tank but the requisition for acquisition of the land by invoking urgency provision of Land Acquisition Act was sent to the Land Acquisition Officer (LAO) only in December 2005. Proposals for issue of notification under section 4 (1) of the Act was submitted by the LAO in November 2006 along with the approval of Chief Secretary for invoking urgency provision. It was, however, returned by the Revenue Officer with a request to submit a revised proposal (January 2007) for acquiring the land under normal acquisition proceedings as courts have taken strong exception for invoking urgency provisions. The proposal was not submitted as of July 2007 as land use conversion was to be obtained from Town and Country Planning Department. The avoidable delay in acquiring land resulted in non-implementation of the scheme.

The department included a scheme for construction of a treatment plant in Karaikal for using surface water of Arasalar river in the Annual Plan for 2002-03, but the estimate for the scheme was prepared during 2005-06 and the scheme was sanctioned in July 2006. The tenders called for in October 2006 were rejected by the CE in June 2007 on account of non-verification of credentials of the bidders and retendering was yet to be done (August 2007).

In order to augment the short supply of drinking water in Mahe during summer months, the department carried out (March 2001) detailed investigation through a consultant for harvesting rain water and storing it in newly formed ponds. While one pond, constructed at a cost of Rs 6.97 lakh in December 2004, was not put to use due to objections from the residents fearing drying up of their wells, the proposals for issue of notification for acquiring land for the other pond, sent by LAO in January 2004, was pending with Government (May 2007).

3.1.7 Revamping of existing systems to meet the demand

Water Supply Schemes comprise creation of sources with infiltration wells (for surface water) and borewells (for ground water), construction of treatment plants (for surface water), conveyance of treated water to sumps and service reservoirs and supply of water to consumers through distribution system. CPHEEO has prescribed norms for arriving at the capacity of various infrastructure to be created and their designed life period to improve the efficiency and effectiveness of the schemes and economise the expenditure. The execution of various works by the department disclosed the following deficiencies:

3.1.7.1 Wasteful expenditure due to poor planning

Expenditure on constructing a WSS in private land resulted in non-utilising of infrastructure costing Rs 23.17 lakh

In order to augment the shortfall in water supply to Kanuvapet area, the EE, Public Health Division, Puducherry constructed (January 2004) two borewells at a cost of Rs 2.72 lakh and awarded (March 2004) the work of construction of compound wall to protect the structure and the pumping main to be laid. The work was stopped after spending Rs 15.71 lakh due to claim by a private party that the land on which one of the borewells was located and a portion of the land used for constructing compound wall were his property. On verification, it was found one of the borewells was not located within the boundary of Government land and further work were not taken up. On account of demand from public for supply of quality water, the EE proposed to use the other borewell located on Government land. The water from this borewell was, however, found unfit due to higher total dissolved solids (July 2006). In spite of this, the EE obtained Government sanction (September 2006) for laying pumping main from this borewell to the existing overhead tank (OHT). The work was taken up in December 2006 and completed in February 2007 at a cost of Rs 4.74 lakh. However, due to poor quality of water, the department constructed another borewell (February 2007) and took over one of the borewells constructed by Villianur Commune Panchayat and supplied water to the public. Wrong location of borewell and construction of pumping main fully knowing the poor quality of water from the source rendered the expenditure of Rs 23.17 lakh wasteful.

3.1.7.2 Wasteful expenditure on construction of storage facilities

Designing of storage facility in Karaikal region for 30 years instead of 15 years resulted in wasteful expenditure of Rs 58.97 lakh

CPHEEO manual provides for designing storage facilities like sump, OHT for 15 years[4] to facilitate carrying out extensions when required and to avoid expenditure far ahead of utility. The department constructed a 20 lakh litres OHT (Rs 2.18 crore) and a six lakh litres sump (Rs 26.27 lakh) for the Central Zone in Karaikal on the ground that the existing seven lakh litres OHT was damaged and the existing 14 lakh litres sump would be insufficient. Audit scrutiny of the estimate revealed that the Chief Engineer approved the work for a design period of 30 years instead of 15 years. Had the guidelines of CPHEEO manual been followed, 17 lakh litres OHT and eight lakh litres sump would have been adequate for the zone. Construction of OHT of three lakh litres capacity in excess of requirement and sump of six lakh litres capacity resulted in a wasteful expenditure of Rs 58.97 lakh.

3.1.7.3 Unnecessary creation of infrastructure

CPHEEO recommended 70 lpcd as the maximum water supply level for domestic and non-domestic purposes for towns without sewerage system and this includes requirement of water for commercial, institutional and minor industries. CPHEEO also recommended a maximum of 15 *per cent* of the total requirement towards unaccounted water supply. In addition, water supply schemes should provide water for fire fighting, for institutions of considerable magnitude and for major industries. It also stipulated that the storage facility should be designed for continuous supply to consumers as intermittent supply are neither desirable for the public health point of view nor economical. The capacity of OHTs where power is available throughout 24 hours and 16 hours of pumping is possible should be for 15 *per cent* of daily demand and the capacity of the sumps for filling the OHT should be designed for 50 *per cent* of the capacity of the OHT, if two fillings per day is resorted to.

Yanam region has an area of 20 square kilometres. The surface water received from Government of Andhra Pradesh for this region is stored in

[4] Water requirement for the projected population at the end of 16 years including one year project period at the prescribed norm for the area

three locations (Yanam Town, Kanakalapeta and Dariyalathipa) which are interconnected. The water is treated in treatment plant with sand filters and carried through pipelines to sumps constructed in different locations, pumped to overhead tanks constructed nearby and distributed by gravity to consumers. The distribution system for the whole region is interconnected. The region had three water treatment plants (WTPs) with a total capacity of 5.75 mld, five OHTs and 12 sumps with a total capacity of 10 lakh litres and 12.05 lakh litres respectively as of March 2002. The department increased the capacity of WTPs, OHTs and sumps to 14.75 mld, 32 lakh litres and 23.05 lakh litres during 2002-07 on the ground that the projected population in the year 2018 (designed period of 15 years) would be 90,300 and tail end areas had inadequate water. Audit scrutiny, however, revealed that the projected population for the Yanam region in the year 2018 is only 50,000. As there are no big institutions and major industries and the department is not supplying treated water to industries, the water requirement for this population adopting the norms prescribed by CPHEEO would be 4.735 mld[5]. Hence, the requirement of infrastructure would be 4.735 mld of WTP, 7.5 lakh litres OHT[6] and 3.75 lakh litres sump. As such, the infrastructure existed as of March 2002 would be more than adequate. By boosting the projected population to 90,300, adopting higher norms of 100 lpcd and including huge quantity of water for institutional and industrial demand (4.19 mld), the department worked out the water requirement for 2018 at 14.39 mld and constructed three WTPs with a total capacity of nine mld, eight OHTs of 22 lakh litres capacity and eight sumps of 11 lakh litres capacity at a total cost of Rs 10.73 crore (vide **Appendix – 3.1**). Failure to follow CPHEEO guidelines resulted in creation of unnecessary infrastructure, wastage of water and higher cost of maintenance.

Government contended (November 2007) that the additional infrastructure was provided to cater to the projected population for 30 years (upto 2033) and the requirement of surrounding population of neighbouring Andhra Pradesh and industrialisation was also considered. This contention was not factual as the project reports considered the requirement of projected population of 15 years as provided in CPHEEO guidelines but boosted the estimated population and did not consider the requirement of population of neighbouring state. Besides, water was not supplied to industries and there were no documents to support the requirement of huge industrial demand.

3.1.7.4 Non recovery of excise duty paid on equipment

Recovery of Excise duty exemption (estimated as Rs 24.27 lakh) was not provided for in the contract

Central Excise notifications issued in March 2002 and September 2002 exempts payment of Central Excise duty for all items of equipment required for setting up of water treatment plants and pipes required for delivery of water from source to plant and from there to the first point of storage. Such exemption can be claimed by the contractor by obtaining a certificate from

5 50,000 X 70 lpcd + (15% unaccounted for water + 0.710 for fire fighting)

6 15 *per cent* of 4.735 mld

the District Collector through the department. While issuing tender for the three water treatment plants in Yanam region, the Chief Engineer indicated that the tendered amount should include all taxes and levies, but failed to indicate the Central Excise duty exemptions availed by the contractor is payable to Government. The work orders were issued in June and July 2005 for a total cost of Rs 6.13 crore. Based on the request from the contractors, the EE, Yanam requested the Deputy Collector to issue exemption certificate for pump sets, air blowers and electro chlorinators procured for the treatment plants. Records, however, indicated issue of certificate only for electro chlorinators. In the absence of the list of materials eligible for exemption and their cost, the amount of excise duty exemption availed by the contractors but not passed on to the department could not be assessed in audit. The estimate for these works apportioned 40 *per cent* of the cost to mechanical components and based on this, the excise duty (16 *per cent*) not recovered by the department from the contractors is estimated to be Rs 24.27 lakh. The EE, Yanam informed audit (July 2007) that the firms availed Excise Duty exemption on the mechanical components of all the three treatment plants. Government assured (November 2007) to recover the amount from their final bills.

3.1.7.5 Blocking of funds due to time overrun

CPHEEO prescribed a time limit of 188 weeks for major water supply schemes from the date of preparation of working plan to testing and commissioning of the projects. CPHEEO also recommended inviting of combined tenders for all components to avoid delay in completion of the project. The EEs obtained administrative and technical sanctions for major schemes from GOI/ UT Government and CE respectively and divided them into sub works and executed them through contractors. Consequently, the prescribed time limits were not adhered to. Audit scrutiny revealed avoidable delay in taking up the works and in erection and commissioning. The cases are discussed below:

Krishna Nagar Scheme

Non-acquisition of land and non-construction of distribution grid resulted in blocking of Rs 5.46 crore

To augment acute shortage of water in Krishna Nagar, a newly developed area in Puducherry region, Government sanctioned (i) construction of additional storage facilities and pumping main in February 2002 and (ii) creation of additional source and construction of head works and distribution grids in September 2002. No time limit was fixed for completing these major works and the project did not contemplate acquisition/availability of land for the works.

The first work was divided into eight sub works and six of them were completed between April 2002 and October 2005. The electrification work was taken up in February 2006 and completed in March 2006. However, the sub work of laying pumping main, technically sanctioned in 2002-03 for Rs 18.35 lakh, was not completed for want of land. Pipes for the work costing Rs 21.27 lakh purchased in 2004-05, were kept idle. Scrutiny of records revealed that the EE, Public Health Division, Puducherry had not initiated any action to acquire land for this purpose, but issued work order in July 2006. To an audit query, the EE stated (June 2007) that the sub work would be executed in the land that would be acquired by National Highways (NH) division. However, there was no correspondence in this respect with the NH division. The Assistant Engineer informed (July 2007) audit that the feasibility of laying the pumping main along the drain bund is under investigation. The department spent Rs 1.98 crore as of July 2007.

The second work was divided into 14 sub works and 13 of them were completed between January 2003 and January 2005. For the sub work of constructing distribution grid, pipes costing Rs 2.18 crore had been purchased during 2004-05, but the global tender was floated only on 16 November 2006. The tender was cancelled on 17 November 2006 to provide opportunity to local registered contractors. The EE had not invited tender for this sub work subsequently. The department spent Rs 3.48 crore on this work.

Thus, poor planning in executing various components of these two works resulted in blocking of Rs 5.46 crore for more than 15 months.

Kurinji Nagar Scheme

Slow progress of work coupled with non-taking up of works relating to distribution rendered Rs 1.41 crore spent on a scheme unfruitful

Government sanctioned WSS for Kurinji Nagar as two major works in March 2003, one for the construction of storage facilities and pumping main (Rs 1.81 crore) and another for distribution system (Rs 1.99 crore). While the works relating to pumping main were completed, the construction of overhead reservoir, entrusted to a contractor in December 2003 with a completion period of 9 months for Rs 1.16 crore, was not completed even by July 2007 due to slow progress of work by the contractor. The contract was not terminated for not keeping the time schedule. The other components relating to pumping main were taken up only during 2005-06 and the electrification work were executed in 2006-07. The EE had not taken any action to execute the major work relating to distribution system and the Assistant Engineer attributed inadequate development of houses in the area as the reason for non-execution of this work. Consequently, the expenditure of Rs 1.41 crore remained unfruitful.

Uppalam Water Supply Scheme

Government sanctioned (April 2003) a scheme for augmenting water supply to Uppalam and adjoining areas in Puducherry region and all major sub works were completed by June 2006. The electrical work was taken up in December 2006 and completed in March 2007. However, due to non testing of the distribution grid, the scheme was not commissioned even by November 2007. Avoidable delay in completing minor works defeated the objective of providing water supply to the public and led to blocking of Rs 6.93 crore spent on this scheme.

Relaying of pipelines in Yanam

New pipeline laid at a cost of Rs 1.29 crore was not put to use

As the size of the existing distribution pipes were not sufficient to cater to the demands, Government sanctioned (February 2002) the work of relaying new pipeline in Yanam. Though the work was completed in January 2005 at a cost of Rs 1.29 crore, it was not commissioned on the ground that the additional water required would be available only after construction of new water treatment plants. Audit scrutiny, however, revealed that the treatment plants were constructed and commissioned in August 2006. The Executive Engineer, Yanam informed audit (September 2007) that the pipeline would be commissioned after giving pipe connection to the consumers from the new line. Government also concurred (November 2007) with this reply. However, the Department failed to obtain sanction for providing house service connections from the newly laid pipeline along with the work of laying pipeline and Government sanction for providing service connections was not obtained (November 2007).

3.1.7.6 Non commencement of schemes for want of land

The following two schemes could not be implemented as the land required was not transferred by Health Department/Mahe Municipality.

In order to store the additional water proposed to be received from Kerala State on completion of the direct feeder line and supply it to Pandakkal area, a sump was proposed to be constructed at the campus of Subsidiary Health Centre. Though Government sanctioned the work in March 2004 for Rs 12.84 lakh and the land requirement was brought to the notice of Health Department in October 2003, the land was not transferred even by March 2007. As the work of providing feeder line from Kerala State was completed in October 2006, non-construction of sump defeated the objective of sanctioning the scheme.

The construction of an open well and a pump house on the land owned by the Mahe Municipality to augment water supply to Kannachankandy colony proposed in October 2003 was not taken up due to non transfer of land by the Municipality (March 2007).

3.1.8 Operation and Maintenance Systems

The efficiency and effectiveness of the operation and maintenance system depends on drawal of water to the optimum level to balance the need and delivery of the same without leakage and wastages. Besides, rationalising the water tariff to meet the operational cost would not only improve the Government revenue but also act as deterrent against wastage of water. The deficiencies noticed in operation and maintenance of water supply schemes are discussed below:

3.1.8.1 Wastage of water

Leakages were not detected to avoid wastage of water

To avoid wastage and to conserve water, CPHEEO stipulated fixing of bulk water meters in strategic points. The department fixed bulk meters in three out of five OHTs in Karaikal and 10 out of 37 OHTs in Puducherry only during 2006[7]. The Department has no equipment to detect leakages in pipelines. To an audit query, the Assistant Engineer, Puducherry stated that the leakage is being detected based on complaints from public/site supervision staff. Failure to detect leakages in time would result in wastage of water and increase the maintenance cost.

There are large scale defective meters

The rules for domestic water connection stipulate installation of water meters by the department and raising of demands based on water actually consumed. The working conditions of water meters in the four regions are as under:

Region	Number of connections	Meters not working		Percentage of defective meters
		Month	Number	
Puducherry	74,637*	March 2007	50,492	68
Karaikal	11,462	April 2007	5,180	45
Mahe	1,495	April 2007	403	27
Yanam	2,550	May 2007	2,550	100

*** includes a portion of rural area**

While 35,513 meters in Puducherry failed before 2004-05, 1,174 to 1,510 meters failed during every quarter thereafter. All the meters in Yanam region did not function for the past seven years. Defective meters prevented the department from billing the actual quantity of water consumed.

In Yanam region, the department supplied 7.60 mld of water during November 2006 as against 3.06 mld of water required for the present population of 38,064. The department constructed a number of storage facilities on the ground of inadequacy of water in tail ends. The excess delivery of water, however, indicated drawal of more water by the consumers of initial reaches. As the size of the pipes used for house connections was fixed and the period of supply is also regulated, such over drawal could only be made by tampering the water connection pipes and using other mechanical devices. The EE had made no attempts to conduct surveillance to detect any unauthorised drawal of water. Instead, he had created more infrastructure to supply to the tail ends.

Government stated (November 2007) that new water meters would be provided at the time of commissioning the new relaid pipeline.

[7] Details of bulk meters fixed in Mahe and Yanam have not been furnished

3.1.8.2 Rationalisation of water tariff

Water tariff was not revised to meet the operational cost

The tenth plan envisaged rationalisation of water tariff to deterrent level to bring down the wastage. CPHEEO, while according sanctions for water supply schemes, stipulated revision of water tariff at least to meet the operation and maintenance expenses and the Government also assured such revision in their project reports. The water tariff for domestic and commercial consumers was fixed during 1990 and the department revised the rates for commercial consumers in May 2000. The total demand raised during 2004-07 in the four regions and the operational cost in terms of maintenance and staff salary are given below:

Region	Year	Demand (Rupees in lakh)	Operation and maintenance expenditure* (Rupees in lakh)	Percentage
Puducherry	2004-05	237.12	984.15	24
	2005-06	246.27	1,151.20	21
	2006-07	253.84	1,375.72	19
Karaikal	2004-05	32.57	151.21	22
	2005-06	32.57	174.84	19
	2006-07	32.57	213.73	15
Mahe	2004-05	10.31	31.56	31
	2005-06	17.45	24.93	70
	2006-07	19.52	47.35	41
Yanam	2004-05	2.81	69.11	4
	2005-06	2.91	57.49	5
	2006-07	2.91	81.32	4

* **The salary component in Puducherry and Karaikal regions was arrived at based on the number of staff deployed for maintenance and the average salary drawn**

It could be seen that the existing water tariff does not meet even the operational cost and the department failed to follow the CPHEEO instructions. Creation of excess infrastructure and supply of more water increased the maintenance cost and non-revision of tariff for domestic consumers who are the major consumers increased the loss of revenue to the Government. Government stated (November 2007) that audit views would be considered at the time of taking the policy decision to revise water tariff.

3.1.8.3 Quality of water not ensured

The department supplies water directly from borewells without treatment

The CPHEEO has prescribed physical, chemical and biological parameters for ensuring the quality of drinking water supplied to the public. The department is required to employ suitable treatment and disinfection methods to ensure quality of water before supply and to monitor the quality of water at consumer's end. Audit scrutiny revealed that water from 54 out of 146 borewells in Puducherry region was directly supplied to consumers without any intermediate storage. This water is not being treated with chlorine to minimise the risk of water borne diseases. Besides, water supplied from four such borewells has higher iron content and water from two borewells has higher nitrate content and this was not fit for consumption as drinking water.

3.1.9 Conclusion

The department exploited ground water in excess of requirement and did not exploit surface water. More infrastructure were created unnecessarily and schemes were not implemented within a time frame. Economical use of water was not enforced. Poor quality water was supplied directly from four borewells in Puducherry.

Recommendations

- Schemes for utilising surface water should be given priority.
- Wastage of water should be prevented by fixing bulk meters, detecting leakages, replacing the defective water meters and conducting surveillance.
- Water tariff rationalisation should be considered.

The above points were referred to Government in August 2007; reply, except for observations in respect of Yanam region, had not been received (January 2008).

ADI DRAVIDAR WELFARE DEPARTMENT

3.2 Educational Development of Scheduled Castes

Highlights

Government of India implements various educational schemes to upgrade the educational levels of Scheduled Castes. A review of the schemes being implemented in Puducherry region showed that:

Funds for implementing book bank scheme and pre-examination coaching were not sought from Government of India. The Department had not ensured disbursement of scholarships to students by the Heads of Institutions.

(Paragraph 3.2.6)

The system followed for processing of applications for scholarships was deficient. The Department had not ensured payment of scholarships to all eligible students.

(Paragraph 3.2.7.1)

The Department paid scholarships of Rs 28.97 lakh to ineligible students and made excess payment of Rs 17.11 lakh by not following GOI guidelines.

(Paragraphs 3.2.7.2 and 3.2.7.3)

Though the occupancy of rural hostels was poor, the Department constructed an additional hostel at a cost of Rs 1.42 crore without requirement.

(Paragraph 3.2.7.5)

3.2.1 Introduction

The Union Territory of Puducherry (UT) is geographically divided into four regions *viz.,* Puducherry, Karaikal, Mahe and Yanam. There are no Scheduled Tribes in the UT. The Scheduled Castes (SCs) population is 16.19 *per cent* of the total population and resides only in Puducherry, Karaikal and Yanam regions. Both Government of India (GOI) and the UT Government implement various educational schemes, for enabling the SCs to upgrade their educational levels. These objectives are proposed to be achieved by (a) increasing the enrolment and retention of SCs in educational institutions, (b) reducing their drop out rates and (c) increasing their representation in jobs and higher educational and professional institutions. The UT Government spent Rs 58.93 crore during 2001-07 for the educational development of SCs as detailed in **Appendix –3.2.**

3.2.2 Organisational set up

The schemes are implemented by Adi-dravidar Welfare Department. The Secretary to Government (Welfare) is the overall administrative head. The Director, who is the head of the Department, is assisted by two Deputy Directors (of whom one is exclusively for the students' wing) and four Assistant Directors (two in Puducherry region and one each in Karaikal and Yanam regions). There is a Senior Accounts Officer, who is responsible for Internal Audit.

3.2.3 Audit objectives

The performance audit of the implementation of various schemes by the Department for the educational development of SCs was taken up by Audit to verify whether:

- reliable and acceptable data was maintained.
- the allocation and utilisation of funds were judicious and effective.
- the prescribed guidelines were followed while implementing the schemes.
- the efforts resulted in achieving the objectives of the schemes.
- the monitoring system at various levels was functioning effectively.

3.2.4 Audit criteria

- Data on eligible students
- Guidelines issued by GOI for implementing the schemes.
- Occupancy of hostels.
- Government orders on purchase of dietary articles.
- Educational indicators determined by Director of School Education.

3.2.5 Audit coverage

Records, data, information for the years 2001-02 to 2006-07 relating to the implementation of schemes in Puducherry and Karaikal regions were test checked in the departments of Education, Adi-dravidar Welfare and Collegiate Education. For the purpose of test check, records relating to disbursement of scholarships, maintained by Pondicherry University, 12 colleges (of this, four were women colleges), and eight each out of 328 primary schools, 127 middle schools, 147 high schools and 78 higher secondary schools were scrutinised.

3.2.6 Allocation and utilisation of funds

3.2.6.1 Non-implementation of GOI Schemes

Funds not sought for 'Book Bank Scheme'

The funds received for implementing 'Book Bank Scheme' during 1999-2000 were utilised during 2000-02. Though the beneficiary institutions sent the list of books required, the Department did not seek funds from GOI during 2002-03 as it could not produce paid vouchers for getting Audit Certificate for the year 2001-02. The scheme was discontinued thereafter as the vouchers could not be traced. The Director informed audit (September 2007) that steps to purchase books during 2007-08 would be taken as the records required for getting audit certificate have been traced. The non-implementation of the scheme resulted in denial in provision of costly textbooks to poor/needy students enrolled in professional courses.

GOI provided Rs 15,000 per student per year for giving remedial and special coaching to SC students studying in classes IX to XII. The Department did not seek funds for implementing this scheme. Similarly, the pre-examination coaching scheme of GOI for improving the performance of SC students in competitive examinations was also not implemented. Thus, these schemes for improving the educational standard of SCs were not implemented.

3.2.6.2 Disbursement of scholarship was not watched

Acquittance in proof of disbursement of scholarship were not obtained from educational institutions

The Department drew the scholarship amount payable under various schemes and released them to the respective schools, colleges/institutions for disbursement by obtaining temporary receipts from the heads of schools/institutions. The final acquittance was to be sent after disbursement of scholarship to the students. While the receipt of acquittance was being watched through a register maintained in Puducherry region for each type of the scholarship, there was no system of watching acquittance for the amount paid to the heads of institutions in Karaikal region.

Mention has been made in Paragraph 4.1.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 that non-watching of acquittance led to misappropriation by one Headmaster and the Cashier of the Department. Despite this, the Department failed to watch the receipt of acquittance. Consequently, acquittance for a value of Rs 1.79 crore (Period: 1999-2006) was pending from 1,598 institutions under pre-matric (Rs 17.84 lakh), post-matric (Rs 127.73 lakh), opportunity cost (Rs 26.14 lakh) and retention (Rs 7.55 lakh) scholarship schemes as of March 2007. The registers were not closed periodically to determine the pendency of receipt of final acquittance from various heads of institutions.

Thus, the Department is not keeping a track of disbursement of scholarship to the eligible students and monitoring the refund of undisbursed amount. The Director stated (September 2007) that the pendency had been reduced to Rs 47.54 lakh (293 institutions) in respect of post-matric scheme and acquittances for Rs 42.54 lakh was pending from 685 institutions for three other schemes.

3.2.7 Implementation of the schemes

3.2.7.1 Identification of beneficiaries

The beneficiaries of various schemes are students of schools, colleges and other professional institutions run by Government and private agencies. The benefit of post-matric scholarship extended to the resident[8] SC students even studying outside the UT.

No system to ensure the extension of benefit to all eligible students

The Department obtains applications from new beneficiaries who satisfies the eligibility criteria through the educational institutions every year. In cases of renewal, only a list is obtained from the institutions. The Department does not maintain any data of students who were paid scholarships to verify the correctness of renewal claims. Besides, there is no mechanism to verify whether the list of renewal/applications from new beneficiaries have been received from all the institutions. Consequently, the Department is not in a position to ensure that all eligible beneficiaries have been extended the benefits of the schemes.

No system for processing the applications

Scrutiny of records by Audit revealed that there were instances of two sanctions for the same application which was pointed out by the institution at the time of disbursement. The inspection of the records relating to 2004-05 by Director of Accounts and Treasuries, Puducherry (DAT) revealed double payment of scholarships amounting to Rs 2.59 lakh to 148 students and sanction and payment of scholarships to ineligible students. The Department accepted the failures and attributed it to processing of large number of applications in short time. Thus, there was lack of proper system for receiving and processing applications. The Director stated (September 2007) that a software would be developed to eliminate the deficiencies in processing the applications.

3.2.7.2 Payment of scholarships to ineligible beneficiaries

Payment of scholarship to ineligible beneficiaries

The regulations governing the pre-matric scholarship to the children of those engaged in unclean occupation issued by GOI in April 2003, stipulated that the assistance should be given to the children of those who are actively engaged in scavenging of dry latrines and other unclean occupations[9]. The Department had not conducted any survey to identify persons who were traditionally engaged in unclean occupations. Instead, they processed all the applications received and sanctioned scholarships to children of sanitary assistant and safaiwala working in Government, Municipalities and Commune Panchayats. A survey conducted by Puducherry Adi-dravidar

8 Residing in the UT of Puducherry for not less than five years

9 Tanning and flaying which are traditionally considered unclean

Development Corporation (PADCO) in February and March 2006 on the direction of Supreme Court of India revealed that there were 87 families comprising 348 persons including 76 children in the age group of 5 to 15, belonging to the category of scavengers of dry latrines in all the four regions of Union Territory of Puducherry. The Department, however, issued scholarship to 2,060 children under this scheme during the year 2006-07. As scavenging of dry latrines was abolished in the UT, only 76 children are eligible for this scholarship. The Director stated (September 2007) that GOI, while finalisation of draft Annual Plan for 2006-07, permitted the payment of scholarship to children of municipal scavangers. Even allowing scholarship to the children of such persons employed in the local bodies, the payment of Rs 23.01 lakh during 2004-07 to children of sanitary assistants and safaiwalas working in Government was not justified as they were not engaged in scavenging of dry latrines.

Payment of scholarship to stipend holders

The eligibility criteria for post-matric scholarship stipulated that the beneficiary should not receive any other stipend. This condition was not included in the application. Test check of the records of Mother Theresa Institute of Health Sciences, Puducherry revealed that 84 students who were paid post-matric scholarship between October 2004 and February 2006 were also in receipt of stipend resulting in excess payment of Rs 5.96 lakh. The UT Government has sought directions in this regard from GOI (November 2006) after withholding payments during 2006-07.

3.2.7.3 Excess Payment

Excess payment of scholarship to diploma students

The guidelines for post-matric scholarship classified 'all courses leading to graduate or above' under Group III and 'all post matriculation level courses before taking up graduation including vocational courses for which the minimum qualification was matriculation' under Group IV for the purpose of payment of maintenance allowance[10]. Though the various diploma courses[11] were to be classified under Group IV, the Department classified them under Group III and paid maintenance allowance to 1,094 students during 2003-07. This resulted in excess payment of Rs 17.11 lakh.

3.2.7.4 Non-following of GOI guidelines

Prescribed procedure not followed

Post-matric scholarship includes reimbursement of non-refundable fees paid by the students to the educational institutions. GOI, as early as in 1995, issued guidelines that the State/UT Governments should issue instructions to all recognised educational institutions not to collect non-refundable fees from the eligible SC/ST students but to get the amount from Government directly. These instructions were reiterated in 2002 by GOI. However, all educational institutions including Government institutions collected non-

[10] Grade III : Rs 355 for Hosteller and Rs 185 for Day scholar
Grade IV : Rs 235 for Hosteller and Rs 140 for Day scholar

[11] Teaching, Electronic and Civil Engineering, Pharmacy, Co-operative Management, etc.

refundable fees from the SC students and reimbursed it to the students only after sanction of post-matric scholarship to them. Thus, the Department failed to implement GOI instructions.

3.2.7.5 Poor occupancy of rural hostels

Students from local area were admitted into hostels to fill up vacancies

There are 28 hostels, 18 for boys and 10 for girls functioning for the benefit of SC students in Puducherry, Karaikal and Yanam regions. Against the sanctioned capacity of 2,835 to 3,335 students[12] during 2002-07, the occupancy ranged between 2,172 and 2,552[13]. The vacancy of 423 to 948 were mainly in the hostels located in rural areas. Test check of five such hostels revealed occupancy of 63 to 100 *per cent* by students living within five kilometres as indicated below:

Name of the Hostel	Capacity	2001-02			2002-03			2003-04			2004-05			2005-06			2006-07		
		A	L	P	A	L	P	A	L	P	A	L	P	A	L	P	A	L	P
Puducherry																			
GBH, Karayamputhur	**80**	79	72	91	77	62	81	78	63	81	80	71	89	79	66	84	79	50	63
GBH Kariyamanickam	**120**	100	80	80	100	92	92	107	102	95	91	75	82	67	65	97	59	51	86
GBH, Abhishegampakkam	**100**	95	64	67	92	69	75	94	73	78	80	69	86	94	87	93	90	85	94
Karaikal																			
GGH, Nedungadu	**80**	55	51	93	63	62	98	55	53	97	59	56	95	59	57	97	51	48	94
GBH, Neravy	**80**	32	27	85	32	27	84	43	32	75	43	32	74	60	54	90	66	66	100

GBH : Government Boys Hostel; GGH : Government Girls Hostel; A : Admitted L : Local P : *Per cent*

The admission of local students was allowed in relaxation of Rules by Government citing huge vacancies. As many of the hostels do not have quarters for the warden and each warden looks after more than one hostel in Karaikal, the possibility of the students leaving for their houses for night stay could not be ruled out. The Director stated (September 2007) that steps have been taken not to admit local students where the hostel/school is situated and wardens were strictly instructed to be available at hostel for maximum time.

Unnecessary construction of hostel

There are three girls hostels one with a strength of 120 functioning in own building and the other two with a total strength of 160 functioning in rented buildings in Karaikal. The Department took up the construction of two hostels during 2004-05 and 2005-06 with a total capacity of 204 to accommodate the students living in rental buildings. As the total occupancy of the three hostels during 2001-06 ranged between 168 and 200, the existing occupants could be accommodated if one hostel with a capacity of 104 students was constructed. As such, construction of the other hostel,

12 2,835 up to 2002-03 and 2,875 during 2003-04, 3,015 in 2004-05 and 2005-06 and 3,335 in 2006-07.

13 2,172 in 2001-02, 2,272 in 2002-03, 2,452 in 2003-04, 2,552 in 2004-05, 2,536 in 2005-06 and 2,387 in 2006-07

at a cost of Rs 1.42 crore was not justified. This hostel is located in rural area and has low occupancy.

The Director contended (August 2007) that the hostel was constructed to increase the literacy rate among rural women in future. The construction was, however, not justified in view of poor occupancy.

3.2.7.6 Maintenance of hostels

The expenditure on maintenance of hostels is fully met from UT funds. The expenditure included purchase of diet and non-diet articles, dress materials, library books, beddings, etc. The following discrepancies are noticed:

Excess expenditure in purchase of groceries

Government ordered (October 2002) the purchase of groceries by hostels in Puducherry region restricting the price to the sale price of the Pondicherry Wholesale Societies (Amudhasurabhi). However, while issuing sanction for hostels in Karaikal region (November 2002), the price was ordered to be restricted to the sale price of Karaikal Co-operative Wholesale Stores or the prevailing market rates published by the Department of Statistics and Evaluation (DSE) from time to time. The hostels in Puducherry are purchasing groceries at the retail rates fixed by Amudhasurabhi which was higher than the rates prescribed by the DSE. Incidentally, it was noticed that the Education Department purchased groceries for the mid-day meals scheme at the rates compiled by DSE only. Failure to restrict the purchase price to the prevailing rates published by the DSE resulted in an excess expenditure of Rs 7.89 lakh on six items purchased in five hostels in Puducherry during 2003-07.

The Director stated (August 2007) that Government approved the uniform rate of Amudhasurabhi as groceries were purchased from different sources. This contention is not tenable as orders issued for Karaikal region restricted the purchase price to rates prescribed by DSE.

Poor maintenance of stock register

The suppliers of diet and non-diet articles did not issue delivery challans along with the supply but raised invoices belatedly which was admitted by the Department. Consequently, there was no basis for making entry in the stock register for these receipts and there were many corrections in the stock registers. The stock verifier, during physical verification, reported excess and shortage in quantities. Though the excesses noticed in physical verification were accounted for, no action was taken on shortages. In the absence of purchase rates in the stock register, the value of shortages could not be ascertained by Audit. This indicated poor maintenance of stores. The Director informed audit (August 2007) that instructions were issued to wardens not to accept items without delivery challans.

To improve the reading habits of inmates, the Department purchased 4,664 books between 1998-99 and 2005-06. These books were not issued to the hostels (August 2007). The Assistant Director, Karaikal stated (September

2007) that the books were not distributed due to shortage of manpower and workload of welfare officers.

3.2.8 Impact analysis

Trends of various educational indicators, percentage of pass in the X and XII class examinations, percentage of SC students taking up post-matric and higher education and number of students who wrote civil services and other professional entrance examinations are the basic parameters to assess the impact of various schemes implemented for the development of SCs.

3.2.8.1 Educational indicators

Educational indicators like Literacy rate, Gross enrolment ratio, Gross drop out rate and Gender parity index with reference to SC community would give the extent of progress made in educational development of SCs.

Literacy rate

The literacy rate computed by dividing total literate persons by total population is being determined during census conducted every decade. The literacy rate of general and SC population which was 78.20 and 56.26 *per cent* in 1991 increased to 81.23 and 69.10 *per cent* in 2001. Though the growth rate of literacy among SC is more, there was still a large gap to be bridged. In the absence of data on literacy after 2001, the impact of the schemes in increasing the literacy during 2001-07, could not be evaluated.

Gross enrolment ratio

Data not reliable

Gross Enrolment Ratio (GER) is the percentage of the enrolment in various classes to the estimated child population in the age relevant to the class. The GER of SC students, computed by Education Department, indicated achievement of more than 100 *per cent* enrolment in class I to X. The GER of more than 100 *per cent* was due to enrolment of SC students of neighbouring States in the UT schools.

The GER in Higher Secondary School level declined steeply from 52.65 in 2001-02 to 41.52 in 2004-05[14]. The Department had not analysed the reasons for taking corrective measures.

Gross Drop Out Rate

Gross dropout rate represents the percentage of students who drop out from a given grade or cycle or level of education in a given cycle/school year.

---

14 GER for 2005-06 and 2006-07 not compiled

The drop out rate of SC students as compiled by the Statistical wing of Education Department during the years 2001-02 and 2002-03[15] and that compiled by Sarva Shiksha Abhiyan (SSA) for 2005-06[16] are as follows:

(in *per cent*)

Year	Primary stage (Class I to V)			Middle stage (Class VI to VIII)		
	Boys	Girls	Total	Boys	Girls	Total
2001-02	2.53	2.03	2.29	12.15	15.50	13.81
2002-03	2.50	2.08	2.27	12.18	15.45	13.80
2005-06	3.21	2.66	2.92	5.32	4.07	4.68

The dropout rates of SC students in primary stage had gone up and the dropout rate of SC students in the middle stage was comparatively higher than that of primary stage. The Director attributed (November 2007) the higher drop out rate to the poor socio-economic status of the SC families in rural and remote villages and stated that action had been initiated to extend scholarship to all the SC students irrespective of parental annual income to provide economic support and reduce the drop out rate.

Gender Parity Index

Gender Parity index is calculated by dividing girls' Gross Enrolment Ratio by boys' Gross Enrolment Ratio of a given level of education. It measures progress towards Gender equity in education.

The details showing Gender parity index of SC students in primary and middle stages during 2001-02 to 2005-06 are as below:

Year	Primary	Middle
2001-02	1.01	0.94
2002-03	1.02	0.93
2003-04	0.98	0.96
2004-05	1.02	0.95
2005-06	0.90	0.91

The gender disparity at middle stage had not shown any improvement even after implementing specific schemes for girls by the UT Government. Though there was gender parity in primary stage, the number of girl students studying in middle school was relatively low. The Director accepted (November 2007) that gender parity had not increased even after enhancement of scholarships for SC girl students from Rs 500 to Rs 3,000 during 2002-07.

3.2.8.2 Retention percentage

Retention percentage is high in middle stage

This survey was conducted only for the year 2005-06 by SSA which revealed that 85 *per cent* of students studying in middle level completed the study and 10 *per cent* are retained in the same class. Against this, the

15 The rate was not compiled after 2002-03

16 The rate for 2006-07 was under compilation

completion and retention percentage of SC students were 78 and 17 respectively. This indicates that the SC students could not fare well. The survey for the year 2006-07 was being conducted. The State Project Director stated (September 2007) that special coaching and night classes are being conducted for slow learners among SC students.

The Director attributed (November 2007) high retention percentage to the poor family conditions in rural and remote areas and promised to implement the special coaching scheme by inducting evening class tutors.

Poor pass percentage in X and XII classes

The pass percentage of general and SC students in Class X and Class XII are given below:

(in *per cent*)

Year	Pass in Class X			Pass in Class XII		
	General*	SC	Gap	General*	SC	Gap
2001-02	67	57	10	87	76	11
2002-03	71	63	8	71	51	20
2003-04	76	61	15	73	57	16
2004-05	75	59	16	72	55	17
2005-06	73	56	17	74	56	18
2006-07	83	63	20	83	68	15

* **other than SC**

The performance of SC students when compared to the performance of non-SC students was poor during 2001-07. Implementing the special coaching scheme of GOI could have helped to improve the performance of SC students. The Director accepted (November 2007) the audit observation.

3.2.8.3 Admissions to professional course

The admissions for professional courses run by private (Government seats) and Government institutions are done by the Centralised Admission Committee (CENTAC). The seats reserved for SCs and that actually filled up during 2002-07 are given below:

	Biology based Courses		Engineering		Others	
Year	Reserved	Filled up	Reserved	Filled up	Reserved	Filled up
2002-03	31	34	113	88	--	--
2003-04	31	34	113	88	--	--
2004-05	26	28	172	81	12	5
2005-06	46	49	188	106	12	15
2006-07	60	57	198	148	11	6

Reservation policy was not applied for migrant students

The unfilled seats in Engineering courses were dereserved and converted into general category for want of SC students. The percentage of reservation was based on the origin[17] as well as migrant SCs living in the UT as of 2001, the children of migrant SCs were, however, considered only under general category on the ground that the High Court had directed to fill up the reserved vacancies under Government employment only with SCs of Puducherry origin. Even this order was set aside by the Supreme Court of India in February 2005 but the UT Government continued to adopt the same reservation policy. Consequently, migrant SC students were not considered for reserved seats thereby reducing the proportion of SC students in professional courses. The Director accepted (November 2007) the audit observation and assured to take up the matter of admission of migrant SCs against the reserved seats for SCs and to arrange for extra coaching to SC students to get through the entrance examination for professional courses.

3.2.8.4 Performance in competitive examination

The Department did not implement the central scheme for providing pre-examination coaching to SC students for improving their representation and standard of performance in various competitive examinations. However, coaching for 10 SC students who took up civil service examination were given by PADCO during 2002-05 but none passed the examination. Pondicherry University Community College gave training to 136 students during 2005-07 for civil services and professional course entrance examinations. The percentage of success was not available.

3.2.9 Monitoring

Internal audit not effective

The staff of internal audit wing were allocated accounts work and the stock verifier conducts inspections of hostels. During 2001-06, 28 inspections were carried out in 23 hostels. No Inspection was conducted during 2006-07. None of the inspection report was closed for want of follow up action by the welfare officers. The reports mainly contained physical verification of various stocks, large quantity of excess and shortages. Despite this, the Deputy Director reported to audit that there was no adverse remarks and the hostels were running smoothly. This contradicts the Director's report to Government on receipt of lesser quantity of groceries.

Schemes not monitored

The Department implements all schemes through educational institutions which are under the control of Education Department. The Department had not prescribed any periodical reports on number of SC students studying in each institution, number of beneficiaries under each scheme and monthly returns of distribution of benefits to the students etc., to monitor the implementation of the schemes. No norms for conducting inspections of hostels were prescribed. The Director assured that monitoring and

[17] Based on the residential status of the applicant's father on the crucial date i.e. 5 March 1964

evaluation of the schemes would be done with the assistance of Planning officer posted recently. Thus, the monitoring system needed strengthening.

3.2.10 Conclusion

There was no system to ensure the extension of the benefits of the schemes to all eligible students. Hostel facilities were not based on requirement. The Department failed to evaluate the impact of the schemes implemented. Internal audit and monitoring of schemes was weak.

Recommendations

- Receipt of acquittance in proof of disbursement should be watched.
- Survey should be conducted to identify eligible beneficiaries and records computerised to process claims for assistance.
- Merging of hostels having poor occupancy should be explored.
- The educational indicators relating to SC students of UT should be compiled by the Department.
- Evaluation of existing schemes should be taken up.
- Internal audit on implementation of the schemes should be conducted.

Above points were referred to Government in June 2007; reply had not been received (January 2008).

TRANSPORT DEPARTMENT

3.3 Functioning of the Computerised Billing System in the Government Automobile Workshop, Puducherry

3.3.1 Introduction

The Government Automobile Workshop (GAW), Puducherry, is responsible for supply of Petrol, Diesel and Lubricants (POL) to all State and Central Government Departments and Autonomous Bodies situated in Puducherry. The charges of POL supplied based on the indents are recovered at cost in respect of Puducherry Government Departments and the supply to others includes applicable Pondicherry General Sales Tax (PGST). The maintenance and repairs of all Government vehicles is also undertaken by GAW and the costs recovered from the user departments.

GAW has a computerised billing system for the supply of fuel and for expenditure incurred on the repair of the Government vehicles. The application was developed in-house using Fox-base in Novel Netware Environment and was being used from June 1988. The data entry was done in a Batch Process and reports (Bills) generated periodically.

The Data relating to the issue of POL and maintenance and repairs of vehicles for the period from 1999-2000 to 2006-07 were analysed using Computer Aided Audit Techniques. The data of the Transport Department of Puducherry was compared with the database available in GAW to ascertain whether the input controls were in-built in the software and the required business rules have been mapped in the software etc.

Audit findings

The application software was developed and maintained by a Data Entry Operator. The documentation and the source code of this application software was not available with the Department. The Department continued to depend on an individual to maintain the system. The in-house developed application software has not been tested. The Data analysis revealed the following deficiencies:

3.3.2 Issue of POL to private vehicles

a) The database of Government vehicles was not maintained in the system and no effort has been taken to collect such information from the Transport Department. In the absence of the data base of vehicles, the vehicle numbers were captured at the time of issue of POL, demands were issued based on these vehicle numbers and the user departments reimbursed the cost without verifying the correctness of the vehicle numbers. A comparison of data available with GAW and Regional Transport Office, Puducherry with reference to the ownership of vehicles revealed that POL costing Rs 9.32 lakh had been supplied to 497 vehicles not registered in the name of the Government departments/autonomous bodies. The original indents for the period prior to April 2005 could not be verified as the same had been destroyed. .

b) POL was also supplied to private vehicles hired by Police Department and some of the vehicles were even not registered within the State of Puducherry.

GAW replied that fuel had been supplied only to Government Departments and the vehicle numbers were incorrectly fed. Further, it furnished the registration numbers in respect of 497 vehicles. The reply of the GAW corroborated the lack of input controls at the time of data entry. An analysis of the vehicle numbers furnished revealed that in 26 cases, GAW accepted the supply of POL to private vehicles and did not reply in respect of seven vehicles. Thus, the absence of the database on Government vehicles to ensure validation before issue of POL to vehicles of Government Departments only, continued to exist.

3.3.3 Issue of POL without indents/duplicate indents

The POL was to be supplied based on the indents issued by the various departments. The indent books supplied to user departments have been serially numbered. It was noticed that

a) same indent numbers were captured repeatedly during the period of audit. The system did not have any in built control to identify the data entry of the same indent number on more than one occasion and allowed capture of duplicate indent numbers.

b) system also allowed the issue of POL without any indent. It was seen that POL was supplied in 51 cases without capturing the indent numbers and subsequently demands were also raised and paid.

The GAW accepted the capturing of duplicate indent numbers and stated that the petrol was supplied without indents based on the request by the Deputy Director (Immunization) in respect of vehicles hired for immunization drive and cost of petrol was also reimbursed. Acceptance of entry of duplicate indents and issue of POL without indents indicated that the input controls were not in-built into the system and continued to pose the risk of unauthorised issue of POL.

3.3.4 Issue of POL without Sales Tax

The cost of POL supplied to Central Government Departments and Autonomous Bodies was to be recovered along with PGST at 12% on the cost of fuel. The Central Government departments/Autonomous Bodies which are liable to pay PGST were identified through a flag in the system. Due to lack of input controls, the flag was not entered in respect of 20 departments leading to non-recovery of PGST amounting to Rs 2.04 lakh.

The GAW accepted and raised supplementary bills amounting to Rs 1.89 lakh from 14 departments so far at the instance of audit.

3.3.5 Issue of both petrol and diesel for same vehicle

Absence of a data base on vehicles that could ensure validation on the type of fuel to be used by the vehicles led to supply of both petrol and diesel to the same vehicle in respect of 179 numbers of vehicles.

GAW in its reply stated that certain vehicles like the fire tender required both types of fuel. But in certain other cases, it was stated that petrol was drawn for other maintenance works by the departments using the indents issued for diesel vehicles. However, in most of the cases, the department had not furnished any reply. The reply is not acceptable as the absence of data base ensuring validation on the fuel use posed the risk of irregular issue of POL.

3.3.6 Issue of POL for vehicles under maintenance

The POL required for the vehicles under repair/maintenance at the workshop was to be issued and accounted through the Works Bill and not to be issued through indents. However, it was seen that in 6,701 cases, POL costing Rs. 37.65 lakh was supplied to vehicles which were under repair/maintenance in the workshop against indents received from the departments. GAW replied that a job card was generated even for minor repairs and in such cases, the vehicles would not be detained at the workshop. The reply was not acceptable as it was noticed that fuel had been supplied even in cases of major repair works which required detention at the Workshop.

3.3.7 Conclusion

The software developed in-house to cater the needs of the department in accounting the supply of POL was deficient in input controls. Absence of a master data base for different vehicles resulted in data entry of incorrect vehicle numbers, supply of fuel to private vehicles, supply of fuel without indents, supply of different types of fuel to the same vehicle etc. These deficiencies made the system and database unreliable and posed the risk of irregular supply of POL to the vehicles. In the absence of documentation and continued dependence on the developer, the business continuity of the system could not be ensured.

Above points were referred to Government in August 2007; reply had not been received (January 2008).

CHAPTER IV
AUDIT OF TRANSACTIONS

AUDIT OF TRANSACTIONS

This chapter presents the results of the audit of transactions of the Departments of the Government, their field formations as well as that of autonomous bodies. The 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 under broad headings.

4.1 Avoidable expenditure

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

4.1.1 Purchase of rice at higher cost

Failure of the Women and Child Development Department to use the rice supplied by Government of India at lesser cost for the scheme of supplying 10 kg of rice free of cost to all ration card holders resulted in avoidable additional expenditure of Rs 11.21 crore.

Government of India (GOI) allots rice at the central issue price[1] as may be specified from time to time to Union Territory (UT) Government for issue to Below Poverty Line families under 'Targeted Public Distribution System' (TPDS). GOI also supplies rice to UT Government at higher rates for issue to Above Poverty Line families. The distribution price of rice to the public is, however, left to the UT Government and the subsidy involved in distribution at a lesser price than the procurement price has to be met by the UT Government.

Paragraph 4.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004, had commented upon the Civil Supplies and Consumer Affairs (CS&CA) Department for not lifting the entire quantity of rice allotted by GOI under TPDS and Education, Adi-dravidar and Fisheries departments failing to utilise unlifted quantity of rice for distribution under various welfare schemes, resulting in avoidable additional expenditure to the Government.

The UT Government launched a new scheme of supplying 10 kg of rice free of cost to all ration card holders from July 2006. The Director, Women and Child Development (W&CD) Department, who was to implement the scheme, ascertained (May 2006) the availability of rice from the allocation of rice under TPDS by GOI for implementing the scheme. Though sufficient

[1] Central issue prices were Rs 5,650 per Metric Tonne for Below Poverty Line and Rs 8,300 per Metric Tonne for Above Poverty Line categories during July 2006 to March 2007

quantity of rice was available, it was decided (July 2006) to procure rice from open market for the scheme on grounds of quality. The scheme was implemented till March 2007 and then discontinued.

Audit scrutiny revealed that CS&CA Department lifted only 7,065 Metric Tonne (MT) of rice against GOI allotment of 52,173 MT during July 2006 to March 2007 under TPDS whereas W&CD Department purchased 26,927 MT of rice from open market at higher cost for implementing the scheme.

The failure of W&CD Department to use the rice supplied by GOI at a lower cost resulted in avoidable additional expenditure of Rs 11.21 crore to Government.

The Director, W&CD Department attributed the purchase of rice from open market to the decision of the Government to supply quality rice to public which would also benefit the farming community in the Union Territory. This contention is not tenable as GOI releases rice under TPDS only if it meets the required standards and the UT Government also ensures the quality of rice before lifting it from GOI. Besides, the rice was purchased from millers and not directly from the farming community. Thus, the decision to purchase rice from open market for the scheme only increased the cost to Government.

The matter was referred to Government in July 2007; the reply had not been received (January 2008).

EDUCATION DEPARTMENT

PONDICHERRY INSTITUTE OF POST MATRIC TECHNICAL EDUCATION

4.1.2 Additional expenditure due to non-revision of fee structure

Failure to collect tuition fees from the students of Government aided polytechnics resulted in an additional expenditure of Rs 1.65 crore to Government.

Of the five Polytechnics in the Union Territory (UT) of Puducherry, four are being administered by Pondicherry Institute of Post Matric Technical Education (PIPMATE), a society registered under Societies Regulation Act. The expenses of PIPMATE are met out of grants released by Education Department. The rules and regulations of PIPMATE empowered the governing body to prescribe the fees to be collected from the students. The governing body, however, resolved (May 1989) to adopt the application and prospectus of Government Polytechnic for the four polytechnics under their control. As Government stopped the collection of tuition fees from the students of Government polytechnic from the academic year 1998-99, tuition fees was not collected by PIPMATE.

The Lieutenant Governor, the administrator of the UT, observed (July 2000) that institutes of higher education run by the societies should generate revenue to make them self-sustaining. As receipts of PIPMATE did not cover even one *per cent* of its annual expenditure of nearly Rs 3.50 crore and all other professional colleges run by other societies in the UT were collecting tuition fees, the governing body of PIPMATE (December 2000) and the finance committee (March 2001) resolved to collect tuition fees from the students of polytechnics under their control and sent (May 2001) proposals to Government through Director of Collegiate Technical Education (DCTE). Government deferred the decision for the academic years 2001-02 and 2002-03.

PIPMATE again submitted the proposal in January 2003 to collect annual fees of Rs 3,600 from first year students from 2003-04 and Rs 2,570 from second and third year students from 2004-05 and 2005-06 respectively. Though the Secretary to Government (Education) justified the charging of tuition fees from the students of PIPMATE, the Minister for Education and Chief Minister recommended keeping the proposal in abeyance. When this recommendation was forwarded to the then Lieutenant Governor for approval, he observed (March 2003) that the students of PIPMATE should also pay tuition fees as such fees were being collected from students of other professional courses run by other societies in the UT and suggested giving scholarships or other subsidies to poor and meritorious students. After discussion with the Chief Minister and Minister for Education, the file was returned by the Secretary to Government to Deputy Secretary to Government in April 2004 with directions to take action before the next academic year in consultation with DCTE and Finance Department. The file was, however, returned to DCTE only in June 2005 and no further action was taken.

When the non-collection of tuition fees even after the resolution of the Governing body, was pointed out by Audit, the Member Secretary, PIPMATE contended (October 2007) that the tuition fees were not collected due to non-receipt of orders from Government. He also said that Government proposed to extend free education, which was applicable to Higher Secondary Education, to higher education from 2007-08. These contentions are not tenable as

- the governing body of PIPMATE is empowered to have its own fee structure and the resolution of December 2000 to have its own fee structure nullified their earlier resolution (May 1989) to have uniform fee structure. Hence, orders of Government were not necessary.

- though the Government approved the fee structure in April 2004, orders were not communicated to PIPMATE resulting in non-collection of tuition fees from the academic year 2004-05.

- policy decision announced by Government will have only prospective effect. As Government continued to collect tuition fees from students of other professional colleges, the policy decision was not implemented even during 2007-08.

Non-collection of tuition fees approved by Government from 2004-05 to 2007-08 deprived PIPMATE of a revenue of Rs 1.65 crore[2] and resulted in additional expenditure to Government to that extent.

The matter was referred to Government in August 2007; the reply had not been received (January 2008).

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

4.1.3 Excess expenditure on acquisition of land

Non-adherence to guidelines issued by Government to determine the fair market value for lands acquired for the new Collectorate at Karaikal resulted in excess expenditure of Rs 1.60 crore.

The Government of Puducherry issued (February 1989) comprehensive instructions for the guidance of departments as well as the Land Acquisition Officer (LAO) detailing procedures to be followed while implementing the Land Acquisition Act, consequent to its amendment in 1984 and various judgements of High Court and Supreme Court on matters relating to land acquisition. The guidelines, *inter alia*, provide for assessing the value of the land under acquisition based on the sales effected in the area during the year prior to the date of notification under Section 4(1) of the Act. It also provides for diminishing 20 to 33 $^{1}/_{3}$ *per cent* of the assessed value towards improvement and amenities if vast land is acquired for urban purposes. The assessed value was to be then compared with the guideline value of the Registration Department and higher value adopted as fair market value of the land under acquisition. The Act provides for calculating the compensation payable to landowners by increasing the market value by 12 *per cent* towards additional market value from the date of notification under Section 4(1) of the Act to the date of award and by 30 *per cent* towards solatium for compensating future earnings.

While acquiring 14.32 hectares of land in Karaikal for construction of the new collectorate, the LAO assessed the value of land at Rs 40,433 per

[2] Based on fees proposed by PIPMATE in January 2003

Are[3]. As the land, based on which the value was assessed, was located in the area proposed for acquisition, the LAO felt that the land owner would lose considerably if the deduction was made from his purchase value as per guideline issued by the Government. The LAO, therefore, arrived at the compensation treating this assessed value as fair market value of land under acquisition. The award was passed in June 2007 and compensation was being paid to the land owners as per the award (July 2007) at the rate of Rs 56,028 per Are.

The contention of the LAO is not tenable as

- The entire land under acquisition is in low lying area requiring improvement
- The guideline value of land under acquisition ranged between Rs 25,000 and Rs 30,000 per Are
- Fifty two out of 63 sales considered by the LAO for assessing value were below Rs 32,000 per Are
- The land owner would not lose as the assessed value was to be increased by 30 *per cent* towards solatium while calculating compensation; besides, increase in cost after the date of notification under Section 4 (1) is also compensated by way of additional market value.

By allowing the minimum deduction of 20 *per cent* over assessed value, compensation payable for the land worked out to Rs 44,822 per Are.

The action of the LAO in having assessed the fair market price without diminishing assessed value as stipulated in the guidelines resulted in excess expenditure of Rs 1.60 crore[4].

The matter was referred to Government in August 2007; reply had not been received (January 2008).

---

3 100 Ares = 1 hectare
4 (Rs 56,028 - Rs 44,822) X 1,432 Ares

PUBLIC WORKS DEPARTMENT

4.1.4 Additional liability due to avoidable delay in the preparation of design details

Avoidable delay in preparation of design details resulted in cancellation of the contract and in an additional liability of Rs 1.53 crore.

The work of construction of indoor stadium at Keezhaveli, Karaikal was awarded to a contractor for Rs 5.11 crore on 1 March 2006. The work was to commence on 1 March 2006 and was to be completed within a year. The contract contemplated closure by either party if the work could not be commenced within $1/8^{th}$ of the stipulated time for completion of work (45 days) due to reasons not within the control of the contractor. Scrutiny of the records relating to the execution of the work revealed the following:

After issuing the work order to the contractor, the Executive Engineer, Buildings and Roads Division, Karaikal (EE, Karaikal) requested (9 March 2006) the Executive Engineer (Designs) and Architect, Public Works Department (PWD), Puducherry to forward the design details and detailed drawing respectively. The EE (Designs) advised (13 March 2006) the EE, Karaikal to conduct fresh soil test as the test already conducted did not relate to the site of the work. Further, the copy of the preliminary estimate called for by the Architect (31 March 2006) for the preparation of working/detail drawings was sent by the EE, Karaikal only on 25 April 2006. The structural design/drawings for the pile, pile caps, columns and grade beams could only be finalised and sent to EE, Karaikal on 19 May 2006 due to delay in providing papers to EE (Designs). The drawings were handed over to the contractor on 23 May 2006.

The contractor withdrew (26 May 2006) from the contract citing delay in handing over the site and design details and increase in the cost of construction material. When the EE, Karaikal issued (July 2006) a show cause notice to the contractor for breach of contract the contractor filed a writ petition in High Court demanding refund of performance guarantee (PG) and earnest money deposit (EMD). The High Court attributed the delay to the Department and directed (November 2006) to refund the EMD and PG to the contractor. The work was awarded at a negotiated rate of Rs 6.64 crore on 28 March 2007 with a completion period of one year. The work was under progress and the Department spent Rs 2.14 crore as of November 2007.

Thus, the avoidable delay in the preparation of the design details/drawings resulted in an additional liability of Rs 1.53 crore (Rs 6.64 crore – Rs 5.11 crore) apart from delay in construction of indoor stadium.

The matter was referred to Government in June 2007. Government contended (October 2007) that the design details were finalised on

24 April 2006. This contention was not tenable as the drawings were sent only on 25 April 2006 for finalising the design. The design were sent to the EE only on 19 May 2006 and given to the contractor on 23 May 2006. The reasons for this delay were not given by Government.

4.1.5 Avoidable expenditure due to belated financial sanction

Failure of the Chief Engineer in submitting the sanctioned estimate resulted in delay of financial sanction by Government and consequent avoidable extra liability of Rs 1.45 crore on a road work.

Based on the detailed estimate approved by the Chief Engineer (CE), for Rs 2.83 crore the Government of Puducherry sought (July 2005) approval of Government of India (GOI) for the work of 'Improvement of Road RC 17 from Murungapakkam to Villianur' under Central Road Fund. Considering the urgency of work, the CE ordered (September 2005) issue of tender. GOI while according the administrative approval for Rs 2.88 crore (October 2005) stipulated that the work would be deleted from the programme if financial sanction by Government of Puducherry and technical sanction by the competent authority were not accorded within four months from the date of administrative approval. The sanction also stipulated that any excess expenditure beyond 10 *per cent* of sanctioned amount should be met from the resources of the Union Territory (UT) Government.

The CE while approaching the Government for financial sanction (October 2005) failed to enclose the sanctioned estimate for Rs 2.88 crore. Even when the Finance Department called for (November 2005) the approved estimates, the Superintending Engineer – I (SE-I) submitted it only on 18 January 2006 and the proposal was resubmitted to Finance Department on 2 February 2006. The financial sanction was issued on 24 February 2006, 17 days after the expiry of four months from the date of administrative approval by the GOI. In the meantime, the SE processed the tender and recommended the lowest tender of Rs 3.11 crore. As the time limit stipulated by GOI for financial sanction expired, the CE could not finalise the tender. The CE sought (March 2006) extension of time limit from GOI and on receipt of clarification (May 2006) accorded technical sanction (June 2006) and called for fresh tenders as the lowest tenderer refused to extend the validity period.

In the second call, the work was awarded for Rs 4.56 crore to the same contractor (October 2006). Due to tender excess, the CE revised the estimate to Rs 4.77 crore and obtained (December 2006) approval of Government for meeting the difference of Rs 1.61 crore[5] from the funds

[5] Rs 4.77 crore – Rs 3.16 crore (10 *per cent* above GOI sanction of Rs 2.88 crore)

allotted for creation of infrastructure facilities in Tsunami affected areas by GOI. The work was under progress and the Department spent Rs 27.61 lakh as of October 2007.

The failure of the CE in not having submitted the approved estimates at the first instance itself and the belated submission of estimates to Government delayed the financial sanction and withdrawal of lowest offer of Rs 3.11 crore. Consequently, the work was awarded for Rs 4.56 crore resulting in an avoidable extra liability of Rs 1.45 crore. Besides, contrary to GOI orders, the excess over 10 *per cent* of sanctioned amount was also met from GOI funds indirectly.

The matter was referred to Government in June 2007. Government accepted (October 2007) the facts but failed to give reasons for belated submission of estimate which led to avoidable delay in giving financial sanction which resulted in extra liability of Rs 1.45 crore.

4.1.6 Additional liability due to adoption of wrong design

Non-adoption of pile foundation based on soil test in the technically sanctioned estimate resulted in cancellation of contract and execution of the work at higher cost by Rs 22.30 lakh.

To provide comfortable accommodation for the large number of pilgrims to the Dharbaranyeswara Swamy temple at Thirunallar, Government approved (March 2001) the construction of a Yatri Niwas for Rs 60 lakh. The Consultant engaged for conducting soil tests recommended laying of a pile foundation, however, the Executive Engineer, Buildings and Roads Division, Karaikal prepared detailed estimates (January 2003) adopting open foundation for Rs 57.11 lakh[6], ignoring consultant's report. The Superintending Engineer-I (SE-I) accorded technical sanction (January 2003). The work was awarded (July 2003) to the lowest tenderer for Rs 56.37 lakh. Audit noted that pile foundation was adopted for the compound wall of Yatri Niwas.

Although the site was ready for handing over in December 2003, yet it was not handed over to the contractor till January 2004 as the Department contemplated change of foundation from open to pile as the second soil test conducted also confirmed the necessity of pile foundation. Consequently, the contractor demanded rates based on PSR 2003-04 and market rate for pile foundation. The SE-I, instead of entrusting the pile foundation work as substituted work, ordered (May 2004) the cancellation of contract on the grounds of change in the foundation. As the revised cost adopting pile

6 Pondicherry Schedule of Rates (PSR) 2002-03 was adopted

foundation would exceed Government sanction, SE-I ordered (October 2004) retendering based on the original estimate of Rs 57.11 lakh with open foundation. The work was awarded (September 2005) for Rs 70.91 lakh. Meanwhile, a revised estimate was prepared (April 2005) for Rs 1.29 crore adopting pile foundation and Government approved it in August 2006. In the meantime, the Chief Engineer sanctioned (February 2006) market rate for pile foundation treating it as substituted item. The work was completed in July 2007 and Rs 83.61 lakh was paid to the contractor. The final bill was not settled (November 2007).

Had the SE allowed the first contractor to execute the pile foundation as a substituted item as was done for the second contractor, additional liability estimated at Rs 22.30 lakh[7] could have been avoided.

The matter was referred to Government in July 2007; Government contended (November 2007) that the agreement with the first contractor was fore-closed as the site could not be handed over to him due to non-shifting of High Tension (HT) overhead line by the Electricity Department and the additional expenditure was inevitable as the power line was shifted only in September 2005. This contention was not factual as the Assistant Engineer reported (February 2004) to the Executive Engineer that the power line was shifted by the Electricity Department during the first week of December 2003. Thus, the Department prepared estimates and accorded technical sanction to the work ignoring full facts and also created additional liability for the Government.

PUBLIC WORKS AND ELECTRICITY DEPARTMENTS

4.1.7 Additional expenditure due to delay in shifting of electrical lines

Avoidable delay in furnishing the cross section of carriageway by the Public Works Department and delay in obtaining technical sanction and taking up the shifting of electrical lines by Electricity Department resulted in additional expenditure of Rs 20.52 lakh.

The work of 'Conversion of existing two lane carriageway into four lane carriageway from Kanagachettikulam to Kalapet' sanctioned by Government in December 2003 included shifting of electrical posts and transformers. Though the proposal for shifting the electrical lines were sent to Electricity Department in December 2003 and the road widening work

7 Additional liability has been worked out based on the difference between PSR 2003-04 and PSR 2004-05 for the quantity adopted in the revised estimates for all items of work except for pile foundation. For foundation, the rate of PSR 2004-05 with tender excess of first contractor and the actual rate given to the second contractor have been adopted

was entrusted to a contractor in February 2004, the Assistant Engineer of the executing division sent the cross section of the proposed carriageway to the Electricity Department only in June 2004. The contractor completed the road widening work (March 2005) but could not take up the laying of surface course and other related minor works as the electrical poles had not been shifted.

The Executive Engineer, Division IV of Electricity Department prepared the estimate for shifting the electrical lines in July 2004 but had not obtained the technical sanction as the estimate exceeded the powers of Superintending Engineer. The estimate was split up into two (high tension and low tension lines) and technically sanctioned by the Superintending Engineer in June and August 2005 respectively. To avoid further delay, the Public Works Department took up the erection of poles in August 2005 but even then the Electricity Department did not commence the shifting of electrical lines. Citing escalation in cost of materials, the contractor demanded (March 2006) higher rates for executing balance work. The Department rejected this plea and the contract was foreclosed (May 2006). The Electricity Department completed the shifting work in June 2006. The estimate for the balance work was revised from Rs 29.20 lakh (as per the original contract) to Rs 47.02 lakh and the work was entrusted (November 2006) to a new contractor for Rs 49.05 lakh. The work was completed and the contractor was paid Rs 49.77 lakh (February 2007).

The avoidable delay in providing the cross section of carriageway by the Public Works Department and delay in obtaining technical sanction and taking up the shifting work by Electricity Department resulted in foreclosure of the contract and additional expenditure of Rs 20.52 lakh[8] in completing the balance work.

The matter was referred to the Government in July 2007. Government (Public Works) accepted (October 2007) the facts and contended that it was not the practice to provide cross section of carriageway for shifting of electrical poles and on demand from Electricity Department in April 2004, the details were sent in June 2004. This indicates the poor co-ordination between the two departments. The reply from Government (Electricity Department) was not received (January 2008).

[8] Based on the actual quantity of work executed for various items and the difference in rate between the original contract and actually paid

4.2 Blocking of funds

AGRICULTURE DEPARTMENT

4.2.1 Avoidable interest liability due to blocking of funds

Release of funds to 'Land Purchasing Agency' without ascertaining the viability of purchasing agricultural land for distribution to landless rural scheduled caste people resulted in blocking of Rs two crore outside Government Account.

To improve the standard of living of landless rural scheduled caste people, the Government decided (March 2005) to purchase and distribute agricultural land to them for temporary retention to undertake cultivation. To avoid the delay in land acquisition, Government nominated Puducherry Agro Service and Industries Corporation Limited (PASIC) as 'Land Purchasing Agency' for implementing the scheme though such activity was outside the jurisdiction of this Government company.

Even before ascertaining the number of beneficiaries to be covered and the quantum of land required for the scheme, the Additional Director of Agriculture released Rs one crore each in March 2005 and February 2006 as Grant-in-aid to PASIC. Through advertisement, PASIC obtained (October 2005) offers for 13 hectares of land from owners at Puducherry and Karaikal regions. As the sellers were not ready to part with their land at the guideline value fixed by Registration Department, PASIC requested the Additional Director (November 2006) to constitute a Price Fixing Committee. The proposal to constitute the committee was however returned by the Lieutenant Governor seeking guidelines to be followed in fixing the price. As the clarifications submitted by the Additional Director were found cumbersome and ambiguous and the Revenue Department contended that the direct purchase of land by PASIC may result in litigation over title to the property in future, the Secretary to Government, Agriculture Department decided to acquire land through Revenue Department and ordered (December 2006) to assess the requirement of land for the scheme. Since the requirement was found to be 3,000 hectares to cover all beneficiaries, the Department proposed (December 2006) to dispense with the purchase of land by Government. The scheme was modified to provide a maximum financial assistance of Rs three lakh to selected beneficiaries for purchasing half acre of agricultural land. PASIC kept the money in short-term deposits and earned an interest of Rs 18.25 lakh as of August 2007.

The release of Rs two crore to PASIC without ascertaining the viability of the scheme resulted in blocking of the amount outside Government Account.

The matter was referred to Government in August 2007. Government accepted (September 2007) that the amount was released to PASIC even before the detailed guidelines were framed for implementing the scheme and stated that the accrued interest of Rs 18.25 lakh earned by PASIC would also be included while implementing the scheme, after obtaining approval of revised guideline by the Lieutenant Governor.

Thus, release of funds far in advance of requirement resulted in blocking of Rs two crore with PASIC.

TOWN AND COUNTRY PLANNING DEPARTMENT

PONDICHERRY SLUM CLEARANCE BOARD

4.2.2 Unfruitful expenditure due to non-recovery of subsidy

Failure of the Pondicherry Slum Clearance Board to recover the subsidy paid to poor persons who have not taken up the construction for more than one year of release of subsidy resulted in unfruitful expenditure of Rs 1.40 crore.

The Government of Union Territory of Puducherry formulated (December 2003) 'Pondicherry Perunthalaivar Kamaraj Centenary Housing Scheme to provide subsidy for construction of houses to people below the poverty line who do not have their own houses. The scheme was to be implemented by Pondicherry Slum Clearance Board (Board) in phases utilising the grant released by Government though the jurisdiction of the Board was only clearance of slums and not to assist people below poverty line. The rules framed for implementing the scheme provide for release of subsidy in three instalments[9] without prescribing any time limit for completion of construction. The nominated officer is to inspect the site after 15 days of release of first instalment and recover the subsidy with interest from persons who failed to take up construction.

Government targeted 7,500 poor persons per year during 2003-04 and 2004-05 and released Rs 60 crore during January 2004 to December 2004 (Rs 30 crore) and during February 2005 to March 2006 (Rs 30 crore) for Phase I and Phase II respectively. The details of phase wise selection of beneficiaries and release of subsidy by the Board are given below:

[9] First instalment of Rs 15,000 on sanction and second and third instalments of Rs 15,000 and Rs 10,000 on completion of lintel and roof levels respectively

(Number of beneficiaries)

	Year	Selection of beneficiaries	Release of subsidy		
			I instalment	II instalment	III instalment
Phase I	2003-04	1,243	1,243	344	--
	2004-05	6,250	6,250	6,264	4,987
	2005-06	1	1	481	1,289
	2006-07	6	6	81	339
	Total	**7,500**	**7,500**	**7,170**	**6,615**
Phase II	2004-05	1,011	1,011	0	0
	2005-06	6,485	6,485	6,163	4,696
	2006-07	4	4	537	1,146
	Total	**7,500**	**7,500**	**6,700**	**5,842**

The Board released subsidy of Rs 55.76 crore as of March 2007. The balance amount of Rs 4.24 crore (Rs 1.38 crore for Phase I and Rs 2.86 crore for Phase II) could not be released as 1,130 beneficiaries had not applied for the second instalment and 2,543 beneficiaries had not applied for the third instalment.

Three hundred and thirty beneficiaries who received first instalment mainly during February 2004 to November 2004 in Phase I and 800 beneficiaries who received first instalment mainly during March 2005 to July 2005 in Phase II had not taken up construction. Test check of the inspection reports of the officers of the Board revealed that the beneficiaries either promised to commence construction or reported their inability due to financial constraints, utilisation of subsidy for other purposes, etc. When the non-recovery of subsidy as provided in the rules was pointed out by Audit (May 2007), the Board issued legal notices to 679 beneficiaries in Puducherry region and got the subsidy refunded from 76 beneficiaries. The Board stated (September 2007) that action was not initiated as provided in the rules as beneficiaries were poor. The Board also stated that only 935 beneficiaries (296 in Phase I and 639 in Phase II) had not commenced the construction after initiating of stern action and action would be continued to achieve 100 *per cent* result.

The failure of the Board to monitor the utilisation of subsidy paid and take action to recover the subsidy from 935 defaulting beneficiaries resulted in unfruitful expenditure of Rs 1.40 crore. Besides, the objective of providing houses to these poor persons was also not achieved.

The matter was referred to Government in July 2007; the reply had not been received (January 2008).

AGRICULTURE DEPARTMENT

PONDICHERRY MARKETING COMMITTEE

4.2.3 Blocking of funds on construction of godown

Release of Rs 19.30 lakh to Pondicherry Marketing Committee to construct storage godown without considering the viability of its utilisation resulted in godown remaining unutilised from April 2004.

Government sanctioned (January 2002) the scheme 'Short term loan assistance to farmers' to enable them to pledge their produce at nominal rate of interest and sell them when the market was favourable thereby preventing distress sale of agricultural produce. The scheme was to be implemented by Pondicherry Marketing Committee (PMC) from its own resources without any liability to Government. Government sanctioned (January 2002) Rs 19.30 lakh under this scheme for construction of a godown in the premises of regulated sub-market at Madagadipet, Puducherry. The construction of godown was completed in April 2004 but PMC could not implement the scheme for want of funds.

Failure of the Director of Agriculture to consider the financial position of PMC before release of grants-in-aid for construction of godown resulted in idle investment of Rs 19.30 lakh. When pointed out, Joint Director of Agriculture stated (December 2007) that PMC had sought for a grant of Rs one crore as revolving fund for implementing the scheme.

The matter was referred to Government in August 2007; Government contended (September 2007) that the godown is being utilised by farmers to stock their produce at the time of peak arrivals. Audit scrutiny of the records of PMC, however, revealed that PMC has got storage facilities for stocking agricultural produce arrived during peak season and the new godown was not necessary for this purpose. As such, the construction of godown for this scheme without ensuring the availability of funds with PMC resulted in blocking of Rs 19.30 lakh for more than three years.

4.3 General

4.3.1 Follow up action on earlier Audit Reports

The Committee on Public Accounts (PAC) prescribed a time limit of three months for the Departments for furnishing replies to the audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them and submission of Action Taken Notes on the recommendations of the PAC by the Departments. The pendency position of paragraphs/recommendations for which replies/action taken notes were not received are as follows:

(a) Out of 45 paragraphs/reviews included in the Audit Reports relating to 2003-04, 2004-05 and 2005-06, Departmental replies were not received for 37 paragraphs/reviews as of September 2007.

(b) Government Departments had not taken any action as of September 2007 on 452 recommendations made by the PAC in respect of Audit Reports of 1977-78 to 2001-02 (details *vide* **Appendix – 4.1**).

CHAPTER V
INTERNAL CONTROL

CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

5.1 Internal Control in Civil Supplies and Consumer Affairs Department

Highlights

Internal Control is an integral component of an organisation's management processes which are established in order to provide reasonable assurance that operations are carried out effectively and efficiently, financial reports and operational data are reliable, and the applicable laws and regulations complied with so as to achieve organisational objectives. Internationally the best practices in Internal Control have been given in the COSO[1] framework which is a widely accepted model for Internal Controls. In India, the GOI has prescribed comprehensive instructions on maintenance of Internal Control in Government departments through Rule 64 of General Financial Rules, 2005. A review of internal control on selected areas of Civil Supplies and Consumer Affairs Department has shown that:

The Department had not followed the prescribed accounting procedure for providing funds in the budget relating to expenditure on supply of food grains, various schemes under Public Distribution System and subsidy. Funds were provided in the budget and supplementary grant unnecessarily and were either surrendered or diverted.

(Paragraphs 5.1.5.1 and 5.1.5.2)

The reviews of bill register and bill transit registers were not carried out to prevent presentation of fraudulent bills.

(Paragraph 5.1.6)

Deployment of staff for field work was made without any norms.

(Paragraph 5.1.7.1)

Instructions of Government of India on identification of BPL families and supply of kerosene were not complied with.

(Paragraph 5.1.7.2)

---

[1] Committee of Sponsoring Organisations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission

No system is in place to ensure renewal of licences by Fair Price Shops and kerosene distributors.

(Paragraph 5.1.7.4)

Reports stipulated in Manual of Office Procedure were not received and reviewed.

(Paragraph 5.1.8.1)

5.1.1 Introduction

The Department of Civil Supplies and Consumer Affairs is responsible for enforcement of Essential Commodities Act, 1955 as amended in 1984, Consumer Protection Act, 1986 and Rules and Orders framed thereunder. The Department implements public distribution of essential commodities as envisaged in Public Distribution System (Control) Order 2001 and enforces the Consumer Protection Act by educating the public of their rights and redressing their grievances through consumer courts.

5.1.2 Organisational set up

The Department is headed by Director who is assisted by two Deputy Directors (one each at Puducherry and Karaikal) and by the Regional Administrators at Mahe and Yanam, with supporting staff. One Assistant Director and Tahsildar in Puducherry are in charge of administration and inspection respectively. A Food Cell is functioning under the control of Superintendent of Police to prevent illegal movement of essential commodities. A State Commission and a District Forum are functioning in Puducherry for consumer redressal. The Secretary to Government is the administrative head of the Department.

5.1.3 Audit objectives

This review of internal control has been conducted to test compliance with the General Financial Rules (GFRs), Receipts and Payments (R&P) Rules and related accounting instructions. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit and Vigilance have been examined. Internal control activities designed and put into operation for enforcing the management directions and ensuring achievement of programme objectives have also been examined.

5.1.4 Audit coverage

The records and registers relating to the period from 2002-07 maintained at Secretariat, Directorate at Puducherry, Deputy Directorate at Karaikal, Regional Administrator at Mahe and Yanam and Food Cell were test checked during March to May 2007.

5.1.5 Compliance with General Financial Rules and related instructions

5.1.5.1 Non-compliance of prescribed accounting procedure

Expenditure on food grains accounted under wrong major head and separate sub head for each scheme not opened

The expenditure on the activities of procurement, storage and distribution of food grains and pulses was being recorded under the major head '3456-Civil Supplies' instead of '2408-Food, Storage and Warehousing'. The prescribed accounting procedure stipulates accounting of expenditure on each programme under a minor head and the schemes under the programme under separate sub heads. Though 'Public Distribution System' (PDS) is a separate programme with a number of schemes, it was accounted under a sub head below the minor head '001 – Direction and Administration'. Consequently, the expenditure incurred on various schemes under PDS was not shown separately in the Government accounts. This resulted in diversion of funds provided for one scheme to another under the programme thereby vitiating the budgeting system.

The nomenclature of the scheme of free supply of liquified petroleum gas (LPG) connection to BPL families, implemented from 2005-06, was wrongly mentioned as 'Grant of subsidy to newly wedded couple of BPL families for getting LPG connections' in the budget.

Under statement of subsidy in Finance Accounts

Pondicherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO) and Yanam Co-operative Stores Limited (YCSL) procure the essential commodities from GOI and supply them to Fair Price Shops (FPS) at the selling price fixed for consumers. As Government fixed a lower price for supply of rice to public than the price at which it was procured from GOI, the difference represents the subsidy extended by Government to the public. The amount was, however, accounted as grants-in-aid to PAPSCO/YCSL. This resulted in under statement of subsidy in the Finance Accounts.

Government accepted (November 2007) the non-compliance and agreed to take corrective action in consultation with Finance Department.

5.1.5.2 Budgetary control

Unnecessary provision of funds under supplementary grant

Budget provision of Rs 3.40 crore under 'PDS' during 2005-06 was increased to Rs 7.47 crore by supplementary grant (Rs 3.71 crore) and re-appropriation (Rs 0.36 crore) and Rs 7.46 crore was spent. The original provision included Rs 2.92 crore towards grants-in-aid to PAPSCO which was increased by Rs 3.66 crore through supplementary grant on the ground that there was more demand for grants-in-aid to PAPSCO. Audit scrutiny revealed that the total provision of Rs 6.58 crore towards grants-in-aid included Rs 2.28 crore for implementing a new scheme for supply of rice and sugar at subsidised rates to Above Poverty Line (APL) families. Though this scheme was not approved by Government, the amount was released to PAPSCO as advance grants-in-aid in March 2006 to avoid lapse of grant. The Director provided Rs 5.13 crore during 2006-07 for this scheme under PDS and surrendered the amount on the ground of non-implementation.

Government stated (November 2007) that funds for new scheme were obtained in Revised Estimate of 2005-06 based on the assurance given in the floor of the Assembly but the new scheme could not be implemented for want of approval of Government due to non-allotment of rice by GOI for this purpose and Assembly elections. Government also accepted that the amount was released as advance to PAPSCO for implementing the scheme after election and provision of funds for the new scheme during 2006-07 was in anticipation of approval. This indicates that funds were provided for a new scheme which was not approved by appropriate authorities.

Though there was a ban on purchase of vehicles, funds were unnecessarily provided (Rs 4.25 lakh to Rs 4.85 lakh) for this purpose during 2002-03 to 2005-06 and were either surrendered or re-appropriated. Government stated (November 2007) that the funds were provided with the hope of getting relaxation which was not given.

5.1.5.3 Expenditure control

Poor expenditure control resulted in accumulation of Rs 4.60 crore with PAPSCO

The differential cost between procurement price and sale price of rice is released as grants-in-aid to PAPSCO in advance and the adjustment is made monthly based on actuals. The differential cost per month was around Rs 40 lakh which was reduced to Rs 12 lakh from August 2006 due to introduction of a new scheme 'Free supply of rice to all ration card holders' by the Women and Child Development Department. Audit scrutiny revealed an unadjusted advance of Rs 17.94 lakh as of February 2006 and the Department released Rs 4.82 crore in March 2006 on the ground of availability of savings resulting in the accumulation of Rs 4.62 crore as of March 2006 (after adjustment of Rs 0.38 crore in March 2006) which would be more than 11 months requirement. In spite of this, the Department released Rs 2.24 crore during 2006-07 resulting in an accumulation of Rs 4.60 crore as of March 2007 with PAPSCO which was the requirement of about 40 months reflecting poor expenditure control.

Government contended (November 2007) that the amount was released to avoid disruption of the continuing scheme. This contention is not tenable as the Department failed to consider the reduction of differential cost per month due to introduction of a new scheme.

Release of funds when there was huge unutilised balance available

Government introduced a new scheme of free supply of LPG connection to BPL families in September 2005 and released Rs 2.17 crore to PAPSCO for providing 10,000 LPG connections. Due to non-availability of sufficient LPG cylinder of 14.2 kg capacity, Government decided (June 2006) to supply two five kg cylinders and PAPSCO spent Rs 0.97 crore (October 2006). The Department, however, released Rs 1.95 crore in October 2006 for providing another 10,000 connections of two five kg cylinders. As of

March 2007, PAPSCO provided only 7,716 connections[2] involving an expenditure of Rs 1.51 crore and Rs 2.61 crore remained unspent. Release of funds when there was huge unutilised balance available was symptomatic of poor expenditure control. Government stated that the funds were utilised during 2007-08 and assured to assess the need before release in future.

5.1.6 Compliance with Receipts and Payments Rules

Failure to review bill register and bill transit register

Receipts and Payments Rules[3] provide for review of bill register (monthly) and bill transit register (bi-weekly) by a Gazetted officer to prevent presentation of fraudulent bills. This check was not exercised by any of the Drawing and Disbursing Officers (DDOs) of Puducherry, Karaikal and Mahe. Government assured to maintain the prescribed registers properly.

Non-gazetted Government servants handling cash are required to furnish a security deposit to safeguard Government interest (Rule 275 of General Financial Rules, 2005). Government, in November 1992, prescribed security deposit ranging from Rs 250 to Rs 1,000 and bond ranging from Rs 5,000 to Rs 50,000 depending upon the volume of cash handled monthly by the cashiers. The prescribed security deposit and bond were not obtained from any of the five present incumbents in Puducherry, Karaikal and Mahe. Government assured to collect the deposit.

5.1.7 Internal Control Activities

5.1.7.1 Adequacy of infrastructure

Deployment of Assistants for field work was made without any norms

For effective implementation of various activities of the Department, proper deployment of manpower is essential. As against 111 posts sanctioned, there were 14 vacancies in the post of Assistant/Upper Division Clerks (UDCs) (6), Lower Division Clerks (3), Projector Operator (1), Steno (1) and Peon and Watchmen (3). Besides, the deployment of Assistants for field work was made without any norms as revealed from the following:

Region	Total number of ration cards	Total number of FPS	Total number of Assistants/ UDCs	Average number of cards per Assistant/ UDC	Average number of FPS per Assistant/UDC
Puducherry	2,38,920	318	9	26,546	35
Karaikal	52,046	84	7	7,435	12
Mahe	6,590	18	4	1,648	4
Yanam	10,021	18	2	5,010	9

The work allocation for Assistants in Puducherry region did not provide for inspection of petrol bunks, LPG distributors and edible oil distributors

2 413 connections with 14.2 kg cylinders and 7,303 connections with two five kg cylinders

3 Notes below Rule 34

thereby weakening the quality assurance for these commodities being supplied to the public. Government assured to transfer posts to Puducherry region after examining the work allocation.

Petroleum products seized by Food Cell were to be tested for framing charges. In Puducherry, the seized products were being tested in laboratory in Chennai which caused delay in completing the investigation. In March 2006, Government paid Rs 50 lakh to Pondicherry Engineering College to set up Petroleum Testing Laboratory and the tender was under finalisation (April 2007). Of the 25 cases which were under investigation as of April 2007, 18 cases relating to petroleum products were pending for want of test results from Chennai. Government stated that the Engineering College is taking steps to establish the laboratory.

5.1.7.2 Non-compliance with GOI orders

UT Government issued 97,700 red cards to BPL families based on income criteria. With a view to identify the really poor and vulnerable section of society for issue of essential commodities at subsidised rate, GOI prescribed (September 2002) 13 economic and social indicators which were to be considered for ranking and the method of ranking. The State Governments have to fix cut off scores based on such ranking to restrict the number of BPL families to 10 *per cent* over and above that estimated by Planning Commission. As the BPL population for the UT estimated by Planning Commission was 83,600, the cut off scores should be fixed by the UT Government to restrict the issue of red cards to 91,960.

More families than the limit fixed by GOI were classified as BPL

Enumeration based on the GOI instructions was conducted during 2003-04 and after deliberations with Members of Legislative Assembly, Government decided to issue red cards to 1.2 lakh families and fixed cut off marks as 31 out of 65 and 25 out of 52 for urban and rural areas respectively. Based on this decision, the Department identified 1,16,445 BPL families. As representations were received from persons who were already holding red cards but given yellow cards after enumeration, the Department exceeded the limit fixed by the Government and issued 1,34,027 red cards as of October 2007. Besides, nearly 5000 representations were pending for investigation. Thus, the Government had not followed the instructions of GOI to identify the really poor and vulnerable section of the society and even the target of 1.2 lakh fixed by the UT Government was exceeded. Government contended that it had exercised flexibility given in the GOI guidelines to decide the cut off scores considering the increase in population by 33 *per cent* during 1991-2007. This contention is not tenable as Planning Commission estimated the BPL population and GOI ordered to fix the cut off scores to restrict the issue of red cards to 10 *per cent* above this estimate.

Supply of kerosene not stopped for holders of LPG connections

GOI order issued in July 1994 stipulated supply of 7 litres of kerosene per month for those without LPG connection and two litres for those having LPG connection. A comment was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 that the

Department had not identified ration card holders with LPG connection and the Committee on Public Accounts recommended (March 2004) to stamp the ration cards having LPG connections and submit a report to the Committee. The Department had not complied with these recommendations. In April 1999, GOI issued instructions not to supply kerosene to holders of double bottle cylinder LPG connections and supply three litres to holders of single bottle cylinder LPG connections to minimise the subsidy involved in supply of kerosene. The Department had not acted upon these instructions and kerosene was issued to all red card holders without restriction. Even during the enumeration conducted for issue of new cards, these details were not collected and indicated in the ration cards. The Department continued to supply kerosene even for 7,716 red card holders who were the beneficiaries of free supply of LPG connection made by Government from the year 2006. Non-restriction of supply of kerosene not only involved meeting of high subsidy by GOI, but also could lead to unauthorised use.

Government accepted (November 2007) that red card holders were supplied seven litres of Kerosene irrespective of their possessing LPG connection and assured to take action in the light of audit observation.

5.1.7.3 Enforcement of Consumer Protection Act

State and District Consumer Protection Councils were not constituted

A comment was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 on non-functioning of State Consumer Protection Council. Though the term of the council expired in May 2006, it was not reconstituted. Besides, in spite of Karaikal region having been declared a separate district in May 2005, the District Consumer Protection Council was not constituted (July 2007), as the Collector had not nominated non-official members. Non-functioning of these councils would defeat the objective of protecting the consumer interest at appropriate forum and promotion of consumer education. Government has assured to take action.

5.1.7.4 Delay in renewal of licences

No system in place to watch the renewal of licence before the due date

Pondicherry Scheduled Commodities (Regulation of Distribution by Card System) Order, 1975, as amended in 1987 and Pondicherry Kerosene (Control) Order, 1969 provide for granting licence to the distributors of scheduled commodities and kerosene to the public and the licences have to be renewed every year. Audit scrutiny revealed non renewal of licence by all 18 FPS in Yanam during 2003-2007. In Puducherry, there was large scale delay in receipt of application for renewal every year. The year-wise delays are given below:

Scheduled commodities

Year	Total number of shops	Total number of shops relicensed by due date	Total number of shops relicensed after due date/not relicensed	Receipt of application				Licences not renewed
				Within one month	Moe than one month to three months	More than three months to one year	After one year	
2002	288	1	287	90	30	161	--	6
2003	291	189	102	15	10	39	18	20
2004	291	6	285	16	41	184	21	23
2005	291	15	276	23	133	63	3	54
2006	294	22	272	139	42	85	--	6

Kerosene

Year	Total number of shops	Application received within due date	Application received after due date/ licence not renewed	Application received				Licences not renewed
				during April	during May and June	during July to December	after one year	
2002-03	297	127	170	48	26	86	2	8
2003-04	294	141	153	76	11	57	3	6
2004-05	293	76	217	114	27	54	4	18
2005-06	293	67	226	61	15	66	8	76
2006-07	295	30	265	145	21	47	3	49

Thus, the Department had not exercised any control over the renewal of licences. Government assured that the Department would take necessary action to ensure the renewal of licences in time and terminate the licence of defaulters.

5.1.7.5 Inspection of Fair Price Shops

Shortfall in inspection of Fair Price Shops

Public Distribution System (Control) Order 2001 provides for inspection of every FPS twice a year by a designated authority. While there was no shortfall in inspection in Mahe region, shortfall in other regions are given below:

Region	Number of inspections to be conducted	Number of inspections conducted				
		2002-03	2003-04	2004-05	2005-06	2006-07
Puducherry	636	Nil	Nil	1,005	194	details not furnished
Karaikal	168	Nil	Nil	23	131	85
Yanam	36	5	40	36	60	23

The Deputy Director, Puducherry stated as the Department was engaged in general enumeration for issue of new ration cards the inspections were not carried out fully during 2002-2004. Government assured to intensify the inspection when the enumeration work was completed.

5.1.8 Monitoring including Internal Audit and Vigilance arrangements

5.1.8.1 Management information

The weekly arrear report, monthly statement of cases pending disposal for over a month, monthly progress reports of recording and review of files, reminder diary, check list of periodical reports (for ensuring timely receipt, preparation and despatch of periodical reports), as stipulated in the Manual of Office Procedure were not maintained in the Directorate. Government stated (November 2007) that the instructions were being issued.

5.1.8.2 Vigilance Committee meeting

Public Distribution System (Control) Order Act, 2001 provides for conducting meeting of Vigilance Committees at State, District, Block and FPS level to oversee the functioning of PDS. Though the term of Zonal Committee expired for Mahe in March 2005 and for Yanam in June 2006, they were reconstituted only in February 2007 and March 2007 respectively. The terms of Zonal Committee of Karaikal expired in May 2005 but it was not reconstituted as it was proposed to entrust the function to District Consumer Protection Council which was to be formed. Government assured to take action to reconstitute the committees.

5.1.8.3 Internal Audit and Vigilance arrangement

No internal audit mechanism

There was no Internal Audit wing in the Department to provide management information on the deficiency of internal control in various wings of the Department. There is no separate vigilance wing in the Department.

Recommendations

- Prescribed classification in accounting of expenditure should be followed.
- Steps should be taken to enforce expenditure control.
- Proper monitoring should be carried out.

CHAPTER VI
REVENUE RECEIPTS

REVENUE RECEIPTS

6.1 Trend of revenue

The tax and non-tax revenue raised by the Government of Union Territory of Puducherry during the year 2006-07 and the grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Serial number		2002-03	2003-04	2004-05	2005-06	2006-07
I	Revenue raised by the Government					
	○ Tax revenue	276.38	352.76	404.58	479.40	569.55
	○ Non-tax revenue	411.90	454.34	500.72	510.99	549.92
	Total (I)	**688.28**	**807.10**	**905.30**	**990.39**	**1,119.47**
II	Receipts from the Government of India-Grants-in-aid	497.21	495.42	725.70	811.49	764.09
III	**Total receipts of the Government (I + II)**	**1,185.49**	**1,302.52**	**1,631.00**	**1,801.88**	**1,883.56**
IV	Percentage of I to III	58	62	56	55	59

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 59 *per cent* of the total revenue receipts of Rs 1,883.56 crore against 55 *per cent* in the preceding year. The balance 41 *per cent* receipt during 2006-07 was from the Government of India.

6.1.1 Tax revenue

The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Serial number	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+)/ decrease (-) in 2006-07 over 2005-06
1	Taxes on sales, trade, etc.	150.09	203.19	246.48	304.22	364.89	19.94
2	State excise	87.70	105.66	110.29	125.17	143.49	14.64
3	Stamp duty and registration fees	16.20	20.27	23.52	23.97	31.01	29.37
4	Taxes on vehicles	21.95	23.19	23.87	25.56	29.01	13.50
5	Land revenue	0.24	0.29	0.29	0.31	0.91	193.55
6	Others	0.20	0.16	0.13	0.17	0.24	41.18
	Total	**276.38**	**352.76**	**404.58**	**479.40**	**569.55**	**18.80**

The following reasons for variations were reported by the concerned departments:

Taxes on sales, trade, etc: The increase (19.94 *per cent*) was due to boom in business and strict collection measures.

State excise: The increase (14.64 *per cent*) was due to increased realisation of *kist* amount and more collection of excise duty.

Stamp duty and registration fees: The increase (29.37 *per cent*) was due to the sale of more non-judicial stamps.

Taxes on vehicles: The increase (13.50 *per cent*) was due to the increase in registration of new vehicles.

Land revenue: The increase (193.55 *per cent*) was due to the remittance of unutilised housing subsidy and other compensation of Tsunami victims released during 2004-05.

6.1.2 The following table presents the details of major non-tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Serial number	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) / decrease (-) in 2006-07 over 2005-06
1	Power	387.93	430.30	464.48	486.88	508.95	4.53
2	Interest receipts, dividends and profits	5.12	4.50	5.25	4.13	7.23	75.06
3	Medical and public health	3.58	5.45	4.11	3.57	7.52	110.64
4	Education, sports, art and culture	1.28	1.04	0.51	0.46	0.47	2.17
5	Crop husbandry	0.29	0.34	0.28	0.53	0.43	(-) 18.87
6	Other receipts	13.70	12.71	26.09	15.42	25.32	64.20
	Total	**411.90**	**454.34**	**500.72**	**510.99**	**549.92**	**7.62**

The following reasons for variations were reported by the concerned departments:

Power: The increase (4.53 *per cent*) was due to sale of more power to the existing and new consumers.

Interest receipts, dividends and profits: The increase (75.06 *per cent*) was mainly on account of Rs 3.24 crore shown as receipts towards interest and penal interest under the scheme 'Village Housing Projects' by debiting the head '2260-01-792-Irrecoverable Loans-write off'.

Medical and public health: The increase (110.64 *per cent*) was due to increase in hospital stoppages, increase in licence fees collected by the Food and Drugs Administration and increase in the number of companies under ESI Act and more receipt of share from the ESI Corporation.

Crop husbandry: The decrease (18.87 *per cent*) was due to less sale of seeds, agricultural implements, farm products, inputs and decrease in hire charges of tractors.

The departments did not inform the reasons for variation (November 2007) despite being requested (October 2007).

6.2 Variations between the budget estimates and actual receipts

The variations between the budget estimates and actual revenue receipts for the year 2006-07 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Serial number	Heads of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
	Tax revenue				
1	Taxes on sales, trade, etc.	324.00	364.89	40.89	12.62
2	State excise	115.00	143.49	28.49	24.77
3	Stamp duty and registration fees	17.09	31.01	13.92	81.45
4	Taxes on vehicles	25.50	29.01	3.51	13.76
5	Land revenue	0.26	0.91	0.65	250.00
	Non-tax revenue				
6	Power	521.00	508.95	(-) 12.05	(-) 2.31
7	Interest receipts, dividends and profits	4.79	7.23	2.44	50.94
8	Medical and public health	4.35	7.52	3.17	72.87
9	Education, sports, art and culture	0.70	0.47	(-) 0.23	(-) 32.86
10	Crop husbandry	0.28	0.43	0.15	53.57

The following reasons for variations were reported by the concerned departments:

Taxes on sales, trade, etc.: The increase (12.62 *per cent*) was due to boom in business and strict collection measures.

State excise: The increase (24.77 *per cent*) was due to more production of IMFL and increase in collection of *kist* from arrack shops.

Taxes on vehicles: The increase (13.76 *per cent*) was due to increase in registration of new vehicles.

Land revenue: The increase (250 *per cent*) was due to renewal of licence fee.

The other departments did not inform (November 2007) the reason for variation despite being requested.

6.3 Analysis of collection

The break-up of total collection at pre-assessment stage and after regular assessment of sales tax under the Pondicherry General Sales Tax Act for the year 2006-07 and the corresponding figures for the preceding two years as furnished by the department are mentioned below:

(Rupees in crore)

Year	Amount collected at Pre assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column (2) to (6)
1	2	3	4	5	6	7
2004-05	244.09	2.23	0.22	0.06	246.48	99.03
2005-06	303.48	0.48	0.32	0.06	304.22	99.76
2006-07	364.31	1.07	0.35	0.84	364.89	99.84

Thus, the voluntary compliance with the provision of Acts and Rules remained unchanged during 2004-05 to 2006-07.

6.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 under the principal heads of revenue as reported by the departments amounts to Rs 142.41 crore, of which Rs 35.19 crore has been outstanding for more than five years as mentioned below:

(Rupees in crore)

Serial number	Departments	Total arrears	Arrears outstanding for more than 5 years	Remarks
(1)	(2)	(3)	(4)	(5)
1	Electricity	91.80	18.52	The arrears comprise Rs 35.62 crore from the high tension (HT) consumers and Rs 56.18 crore from low tension (LT) consumers. Of the HT arrears, Rs 8.46 crore is due from a Government owned company; Rs 84 lakh is pending with the Claim Commissioner, New Delhi; Rs 13.77 crore is covered under litigation and Rs 3.78 crore is proposed to be recovered through the Revenue Recovery Act. Rs 8.77 crore is due from other consumers/industries. Under LT category, Rs 14.80 crore is due from the local bodies and Rs 4.29 crore from the Government departments. Rs 37.09 crore is due from other consumers/ industries.
2	State excise	13.97	12.49	Arrears were due to non-payment of *kist* by the lessees of arrack and toddy shops. .
3	Commercial taxes	28.72	2.46	Demands amounting to Rs 5.76 crore are covered by appeals in Court. Rs 33 lakh is covered by Revenue Recovery Act and Rs 22.63 crore is under official liquidator and pending miscellaneous action, etc.
4	Public works	5.24	1.03	Arrears relate mainly to non-realisation of water charges.
5	Revenue and disaster management	1.08	0.24	Arrears are due to non-finalisation of licence fee in respect of Government lands leased to the Pondicherry Industrial Promotion Development and Investment Corporation Limited.
6	Stationery and printing	0.21	0.04	Arrears are from the Government departments.
7	Town and country planning	0.14	0.14	Arrears are due to non-payment of enhanced plot costs by the allottees.
8	Hindu religious institutions	0.29	0.07	Arrears are due to non-remittance of share by the temple authorities.
9	Agriculture	0.15	0.06	Arrears relate to rent mainly due from the Pondicherry Agro Service and Industries Corporation Limited.
10	Port	0.57	*	Arrears relates mainly to lease rent from M/s. Concor (a Government of India undertaking).
11	Judicial	0.07	0.06	In some cases, accused are undergoing imprisonment and in some cases, appeals are pending before the High Court, Chennai.

(1)	(2)	(3)	(4)	(5)
12	Co-operation	0.06	0.01	Arrears relate to audit fee dues.
13	Information and publicity	0.10	0.07	Arrears are mainly from the Pondicherry Tourism and Development Corporation towards canteen rent.
14	Other departments**	0.01	***	Arrears relate to fisheries, health and family welfare and Puducherry Government guest houses.
	Total	**142.41**	**35.19**	

* Rs 27,496 was pending for more than five years.

** Details from the Transport Department were not received (October 2007).

*** Rs 300 was pending for more than five years from Puducherry Government Guest House, Chennai

6.5 Frauds and evasion of tax

The details of cases of fraud and evasion of the sales tax cases detected, cases finalised and the demands for additional tax and penalty levied as reported by the Sales Tax Department is mentioned below:

(Rupees in lakh)

Cases pending as on 31 March 2006	Cases detected during 2006-07	Total	Number of cases in which assessment/investigation completed and additional tax and penalty levied		Number of pending cases as on 31 March 2007
			Number of cases	Amount demanded	
33	26	59	26	36.95	33

6.6 Failure to enforce accountability and protect interest of the Government

Accountant General (Commercial and Receipt Audit), Tamil Nadu arranges periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). Important irregularities are included in the IRs issued to the heads of offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report compliance to the office of the Accountant General within two months from the dates of issue of the IRs. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Accountant General.

Inspections reports issued upto December 2006 disclosed that 589 paragraphs involving Rs 146.74 crore relating to 180 IRs remained outstanding at the end of June 2007. Department-wise break up of the IRs and audit observations outstanding as on 30 June 2007 is mentioned below:

(Rupees in crore)

Serial number	Tax heads	Outstanding		Amount involved
		Inspection reports	Audit observations	
1	Sales tax	46	230	133.90
2	Land revenue	26	55	1.79
3	Stamp duty and registration fees	53	136	1.09
4	Taxes on vehicles	28	118	3.67
5	State excise	27	50	6.29
	Total	**180**	**589**	**146.74**

The above indicates the failure of the departmental officials in initiating action to rectify the defects, omissions and irregularities pointed out in the IRs by the Accountant General. The Principal Secretaries/Secretaries of the departments, who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers took timely action.

6.7 Results of audit

Test-check of records of sales tax, state excise, stamp duty and registration fees, motor taxes on vehicles, town and country planning conducted during 2006-07 revealed under-assessments/short levy/loss of revenue amounting to Rs 34.99 crore in 69 audit observations. During the year, the departments accepted Rs 80,000 in four audit observations pointed out in 2006-07 and in earlier years and recovered the amount. No reply has been received in respect of remaining cases.

This chapter contains two paragraphs relating to application of incorrect rate of tax and loss of revenue due to allotment of plots to unspecified categories involving Rs 1.13 crore. The department/Government has not accepted one paragraph involving Rs 3.83 lakh and no reply has been received in the other case. In respect of the audit observation not accepted by the department/Government, gist of the reasons for non-acceptance has been included in the paragraph with further comments of audit.

6.8 Status of recovery against audit observations accepted by the Government

Review of the replies of the Government to the paragraphs of the Audit Reports for the last five years from 2001-02 to 2005-06 shows that against the revenue effect of Rs 22.37 crore of the audit observations accepted by the department, the actual recovery is extremely low at Rs 12 lakh. A year-wise break up of the recovery of revenue till August 2007 is mentioned below:

(Rupees in crore)

Year of Audit Report	Revenue effect of chapter	Amount accepted by the department	Amount recovered
2001-02	0.02	0.02	0.01
2002-03	0.22	0.22	0.11
2003-04	--	--	--
2004-05	--	--	--
2005-06	22.13	22.13	--
Total	**22.37**	**22.37**	**0.12**

COMMERCIAL TAXES DEPARTMENT

6.9 Application of incorrect rate of sales tax

Under entry 2 of Part I of First Schedule to the Pondicherry General Sales Tax Act, 1967, all kinds of biscuits, confectioneries and chocolates are taxable at the rate of eight *per cent* with effect from 1 April 1997 at the point of first sale. By a notification issued in March 1998, the rate of tax was reduced to six *per cent*.

In Pondicherry I assessment circle, while finalising the assessments of a dealer for the years 2001-02 and 2002-03 in July and November 2005, first sale of bubble gum amounting to Rs 1.28 crore was assessed to tax at three *per cent* instead of at six *per cent*. The adoption of incorrect rate of tax resulted in short levy of tax of Rs 3.83 lakh.

After the case was pointed out, the Government stated in August 2007 that bubble gum was meant for refreshing the mouth and unlike other confectioneries, was not meant to be swallowed and therefore the assessment made at three *per cent* treating it as an unclassified commodity was in order. The reply is not tenable as the specific entry in the Act will override the general entry. The term 'confectionery' means a collective name for sweetmeats or confection. In common parlance bubblegum is perceived to be a type of confectionery and was required to be taxed at six *per cent*.

TOWN AND COUNTRY PLANNING DEPARTMENT

6.10 Irregular allotment of plots to unspecified categories

The Government of Puducherry framed rules in accordance with the guidelines framed by the Government of India (GOI) for allotment of plots to the beneficiaries of specific schemes[1] under the Land Acquisition and Development Scheme (LADS) promulgated by the GOI. According to the Scheme, plots intended for sale to persons not covered by the scheme shall be sold by public auction or by open tender. The rules also stipulate that the beneficiaries should start construction within two years from the date of allotment and complete it within a period of three years. Besides, resale of plots with permission of the Government was also allowed if 50 *per cent* of profit was passed on to the Government. Failure to construct houses within the stipulated period or resale without permission of the Government or non-remittance of 50 *per cent* of profit on resale would result in cancellation of allotment and forfeiture of 20 *per cent* of the cost paid by the allottee.

Scrutiny of the records of the Chief Town Planner, Town and Country Planning Department revealed that 49 plots were allotted to 46 Members of the Legislative Assembly (MLAs) and three Indian Administrative Service (IAS) officers during 1999-2006 without open auction. In addition to this, allotment was made to 12 press personnel whose details of allotment were not available. Audit disclosed that 32 out of 49 MLAs/IAS officers had not constructed houses as of December 2006. Out of these, three MLAs sold the plots with the permission of the Government and remitted Rs 7.34 lakh only against Rs 18.36 lakh payable to the Government. In addition, another MLA sold the plot with the permission of the Government and remitted Rs 4.37 lakh to the Government. Since the sale value of his plot was not furnished to audit, correctness of the remittance could not be ascertained. One more MLA sold his plot without obtaining permission, earning a profit of Rs 6.06 lakh but did not remit any amount to the Government. Inaction on the part of the department to enforce the condition of allotment resulted in foregoing revenue of Rs 1.09 crore being the difference between market value and sale value of plots excluding those on which houses have been constructed (Rs 94.93 lakh) and the amount due to Government on sale of plots (Rs 14.05 lakh).

The matter was referred to the Government in July 2007; their reply has not been received (January 2008).

[1] (a) Slum Clearance Scheme, (b) Subsidised Industrial Housing Scheme, (c) Low Income Group Housing Scheme, (d) Middle Income Group Housing Scheme and (e) Rental Housing Scheme for State Government employees

CHAPTER VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7.1 Introduction

This chapter deals with the functioning of the Government companies. Paragraphs 7.2 to 7.11 give an overview of the Government companies and the Government's investment in the Public Sector Undertakings (PSUs). Paragraph 7.12 contains a review on the Performance of Pondicherry Industrial Promotion Development and Investment Corporation Limited.

7.2 Overview of Government companies

As on 31 March 2007, there were 13 Government companies (all working) including one subsidiary company under the control of the Government of the Union Territory of Puducherry (UT Government) as against 12 Government companies (all working) as on 31 March 2006. During the year, a new Company, Swadeshee-Bharathee Textile Mills Limited has been incorporated. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956.

7.3 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

Total investment in Government companies in the form of equity and loans as on 31 March 2006 and 31 March 2007 was as under:

(Rupees in crore)

Year	Number of companies	Investment			Total
		Equity	Share application money	Long term loans[1]	
2005-06	12	471.55	2.10	6.81	480.46
2006-07	13	505.35	58.70	40.40	604.45[2]

1 Long term loans are excluding interest accrued and due on such loans

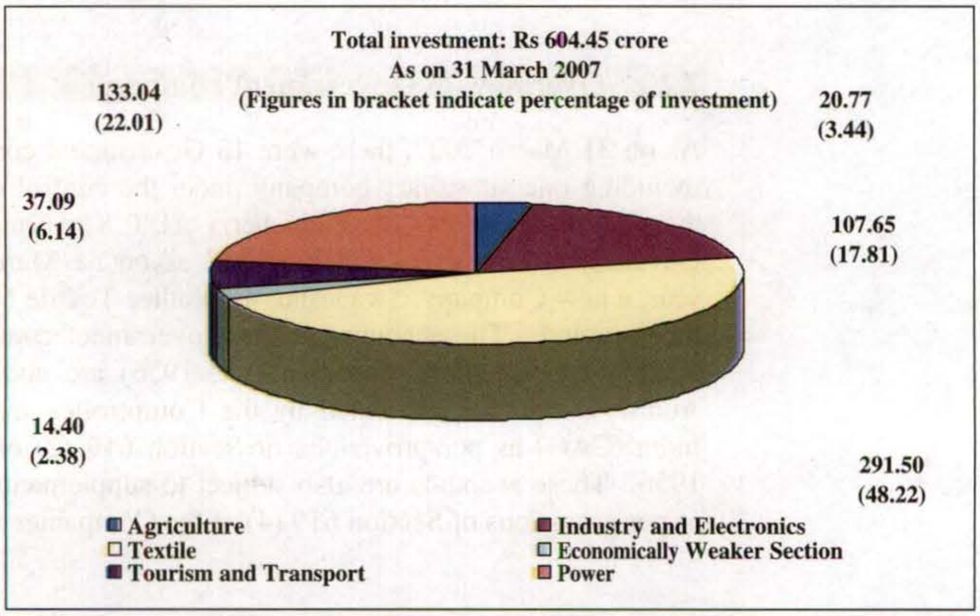
2 UT Government's investment in working PSUs was Rs 554.63 crore (Others: Rs 49.82 crore). The figure as per Finance Accounts is Rs 569.05 crore and the difference is under reconciliation.

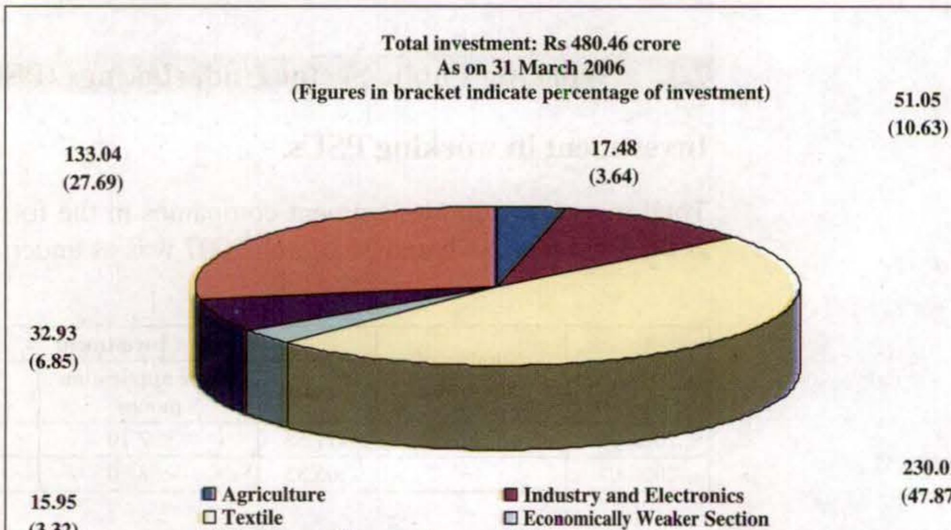
As on 31 March 2007, the total investment in the working Government companies comprised of 93.32 *per cent* equity capital and 6.68 *per cent* loans as compared to 98.58 *per cent* and 1.42 *per cent*, respectively as on 31 March 2006.

The summarised statement of Government investment in the working Government companies in the form of equity and loans is detailed in **Appendix – 7.1**.

The investment (equity and long-term loans) in various sectors at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts:

SECTOR-WISE INVESTMENT IN WORKING GOVERNMENT COMPANIES





7.4 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the Government to the working Government companies are given in **Appendices – 7.1 and 7.3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the UT Government to the working Government companies for the three years up to 2006-07 are given below:

(Rupees in crore)

Particulars	2004-05		2005-06		2006-07	
	Number	Amount	Number	Amount	Number	Amount
Equity capital outgo from budget	8	22.04	8	21.93	9	87.41
Grants	6	6.64	5	21.20	5	18.04
Subsidy towards Projects/Programmes/ Schemes	1	0.40	2	1.13	2	4.94
Total outgo	8[3]	29.08	8[3]	44.26	10[3]	110.39

At the end of 2006-07, guarantees of Rs 2.80 lakh against one working Government company (Pondicherry Adi-dravidar Development Corporation Limited) were outstanding.

7.5 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of the financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year.

Out of 13 working Government companies, only two companies finalised their accounts for the year 2006-07 within the stipulated period as can be seen from **Appendix – 7.2**. During the period from October 2006 to September 2007, six working Government companies finalised six accounts

[3] These are the actual number of companies which received budgetary support in the form of equity, grants and subsidy from the Government during the respective years.

for the previous years. The accounts of eleven[4] working Government companies were in arrears for periods ranging from one to three years as on 30 September 2007 as detailed below:

Serial Number	Number of working companies	Period for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Serial Number of Appendix 7.2
1	3	2004-05, 2005-06 and 2006-07	3	2,9 and 12
2	2	2005-06 and 2006-07	2	8 and 11
3	6	2006-07	1	1, 4, 5, 6, 7 and 13

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments were informed every quarter by Audit of the arrears in finalisation of accounts of PSUs under their administrative control, no remedial measures had been taken, as a result of which the net worth of these PSUs could not be assessed in audit.

7.6 Financial position and working results of working PSUs

The summarised financial results of the working Government PSUs as per the latest finalised accounts are given in **Appendix – 7.2**.

According to the latest finalised accounts of 13 working Government companies, five[5] companies incurred an aggregate loss of Rs 33.48 crore and five[6] companies earned an aggregate profit of Rs 18.28 crore. Details of profit and loss, as per their latest finalised accounts, are given below:

4 Puducherry Agro Service and Industries Corporation Limited, Pondicherry Agro Products, Food and Civil Supplies Corporation Limited, Pondicherry Industrial Promotion Development and Investment Corporation Limited, Pondicherry Electronics Limited, Pondicherry Textile Corporation Limited, Swadeshee-Bharathee Textile Mills Limited, Pondicherry Adi-dravidar Development Corporation Limited, Pondicherry Corporation for Development of Women and Handicapped Persons Limited, Pondicherry Tourism Development Corporation Limited, Pondicherry Road Transport Development Corporation Limited and Puducherry Power Corporation Limited

5 Pondicherry Electronics Limited, Pondicherry Textile Corporation Limited, Swadeshee-Bharathee Textile Mills Limited, Pondicherry Adi-dravidar Development Corporation Limited and Pondicherry Road Transport Corporation Limited

6 Puducherry Agro Service and Industries Corporation Limited, Pondicherry Agro Products, Food and Civil Supplies Corporation Limited, Pondicherry Distilleries Limited, Pondicherry Industrial Promotion Development and Investment Corporation Limited and Puducherry Power Corporation Limited

Year of latest accounts finalised	Profit earning companies		Loss making companies	
	Number of companies	Amount of profit (Rupees in crore)	Number of companies	Amount of loss (Rupees in crore)
2003-04	1	0.40	1	0.65
2004-05	---	---	1	0.98
2005-06	3	13.82	3	31.85
2006-07	1	4.06	---	---
Total	5	18.28	5	33.48

Source: Annual accounts of the companies.

In respect of two[7] companies, the entire loss was met by the UT Government and one company (Pondicherry Tourism Development Corporation Limited) has not yet finalised its first accounts.

7.7 Profit earning companies and dividend

Out of the two[8] Government companies, which finalised their accounts for 2006-07, only one company *viz.*, Pondicherry Distilleries Limited earned a profit of Rs 4.06 crore and declared dividend of Rs 81 lakh for 2006-07. The dividend as a percentage of share capital in this company worked out to 9.59. The total return to the Government by way of dividend of Rs 81 lakh worked out to 0.15 *per cent* on the total equity investment of Rs 553.69 crore by the UT Government in all the 13 Government companies as against the dividend of Rs 1.16 crore (0.25 *per cent*) in the previous year. The Government has not framed any policy for payment of minimum dividend.

7.8 Loss incurring Government companies

Out of the five loss incurring Government companies, three[9] companies had accumulated losses of Rs 258.21 crore, which exceeded their paid up capital of Rs 236.12 crore. Despite poor performance and complete erosion of paid-up capital, the UT Government continued to provide financial support to these companies in the form of equity, grant and subsidy etc. As per available information, the total financial support provided by the UT

7 Pondicherry Corporation for Development of Women and Handicapped Persons Limited and Puducherry Backward Classes and Minorities Development Corporation Limited

8 Pondicherry Distilleries Limited and Puducherry Backward Classes and Minorities Development Corporation Limited

9 Pondicherry Textile Corporation Limited, Swadeshee-Bharathee Textile Mills Limited and Pondicherry Adi-dravidar Development Corporation Limited

Government to these companies during 2006-07 amounted to Rs 29.87 crore (equity: Rs 23.98 crore; grant and subsidy: Rs 5.89 crore).

7.9 Return on capital employed

As per the latest finalised annual accounts of PSUs, the capital employed[10] worked out to Rs 530.83 crore in 12 companies and total return[11] thereon amounted to (-)Rs 11.34 crore, as compared to capital employed of Rs 392.93 crore and total return of (-)Rs 1.85 crore in the previous year. The details of capital employed and the total return on capital employed of working Government companies are given in **Appendix – 7.2**.

7.10 Internal audit/internal control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under section 619 (3) (a) of the Companies Act, 1956 and to identify areas, which needed improvement. Directions under the Act, *ibid*, were issued to the Statutory Auditors in respect of 11 Government companies between October 2006 and August 2007 and reports in respect of three Government companies were received (August 2007).

In respect of Pondicherry Textiles Corporation Limited, the Statutory Auditors observed (December 2006) that the Company did not prescribe any internal audit manual and there was no Audit Committee. They further reiterated the need to strengthen the internal audit system in terms of coverage, frequency and follow up.

As regards Pondicherry Adi-dravidar Development Corporation Limited, the Statutory Auditors pointed (November 2006) out that the timing of internal audit was not appropriate and the belated internal audit did not have desired impact on rectification of the lapses in the functioning of the system. The compliance mechanism on the internal audit observations need to be improved.

10 Capital employed represents net fixed assets (including capital works-in-progress) PLUS working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

11 For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

7.11 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2007 pertaining to 11 PSUs disclosed that 133 paragraphs relating to 28 Inspection Reports remained outstanding at the end of September 2007 is given in **Appendix – 7.4**.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who fail to send replies to Inspection Reports/Reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment is taken within the prescribed time, and (c) the system of responding to audit observations is revamped.

INDUSTRIES DEPARTMENT

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

Highlights

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

(Paragraphs 7.12.1 and 7.12.8)

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

(Paragraph 7.12.9)

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

(Paragraphs 7.12.10 and 7.12.11)

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

(Paragraph 7.12.15)

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

(Paragraph 7.12.17)

7.12.1 Introduction

Pondicherry Industrial Promotion Development and Investment Corporation Limited was incorporated (April 1974) to promote industrial development in the Union Territory of Puducherry with investment in the share capital of the Company by the Government of the Union Territory of Puducherry and Industrial Development Bank of India (IDBI).

The Company is presently engaged in the following main activities:

- maintaining the developed industrial estates allotted to the entrepreneurs in the past.
- implementing the Government of India (GOI) schemes like Industrial Growth Centre at Karaikal, "Assistance to States for developing Export Infrastructure and Allied Activities (ASIDE) Scheme" etc.
- extending short term, medium term and working capital loans to industries and monitoring of the assisted projects.

The management of the Company is vested in a Board of Directors (BOD) consisting of eight directors including a Managing Director (MD) who is in charge of the day to day activities. The MD is assisted by Chief General Manager, General Manager (Administration), General Manager (Technical) and Executive Engineer.

The performance of the Company was last reviewed in the Report of the Comptroller and Auditor General of India – Government of Union Territory of Pondicherry for the year ended 31 March 2000. The review was discussed (July 2004) by the Committee on Public Accounts (CPA). The Committee expressed its displeasure on the appraisal system of the Company and wanted to know the position of collection of maintenance charges from the allottees. The Committee also wanted to know whether other monitoring mechanisms, *viz.*, participation of Company's nominee in the Board of Directors of the assisted units and obtaining physical and financial reports of these units for ascertaining their financial position were being implemented effectively.

7.12.2 Scope of Audit

The performance review covering the operational performance of the Company during 2002-03 to 2006-07 was conducted during November 2006 to April 2007. The records maintained in the Registered Office of the Company at Puducherry and its unit offices at Mettupalayam and Karaikal were examined.

7.12.3 Audit objectives

The performance review was conducted with a view to ascertain whether:

- the Company has prepared a well rounded plan for integrated development of industries in the State;
- proper surveys and investigations were carried out to assess the requirement of industrial plots by the entrepreneurs, infrastructure, availability of raw material, market, etc.;
- lease rent, maintenance and other charges were fixed judiciously and were collected regularly from the allottees of industrial sheds and plots;

- the project reports/applications for assistance were properly appraised before rendering the financial assistance;
- the dues of principal and interest were collected from the assisted units promptly so as to enable the Company to recycle the funds for further industrial growth; and
- internal control mechanism was efficient and effective.

7.12.4 Audit criteria

The audit criteria adopted for assessing the achievement of audit objectives were:

- Decisions/guidelines of the Government of Union Territory and the BOD of the Company;
- Targets and guidelines fixed for development of industrial estates and growth centres;
- Observations/recommendations of the CPA;
- Targets set by the Company for the recovery of principal and interest from the assisted units;
- Norms fixed for equity participation and loan assistance to assisted units; and
- System of recovery of various charges, *viz.*, lease rent, maintenance charges, etc., from the allottees and targets fixed for such recovery.

7.12.5 Audit methodology

The methodology adopted for attaining the audit objectives with reference to audit criteria were examination and review of:

- Industrial policy and directives of the Government of Union Territory and minutes and agenda papers of the meetings of BOD;
- Land acquisition records and files relating to expenditure on industrial estates, fixation of lease rent and its periodical revision, fixation of various charges recoverable from the allottees of industrial plots and sheds;
- Target and budgets, files dealing with sanction of loans and their follow up;
- Management Information System relating to the recovery of principal and interest; and
- Issue of audit enquiries and interactions with the Management.

Audit findings

Audit findings as a result of performance review were reported (August 2007) to the Management/Government and were discussed (September 2007) in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE). The Secretary, Industries Department, Government of Union Territory of Puducherry and the MD of the Company attended the meeting. The views expressed by the members during the meeting have been taken into consideration while finalising the performance review.

The Audit findings are discussed in the succeeding paragraphs.

Financial Performance

7.12.6 Financial position and working results

The financial position and working results of the Company up to 2006-07 are given in the **Appendices 7.5 and 7.6**. The net worth of the Company increased from Rs 80.02 crore in 2002-03 to Rs 167.48 crore in 2006-07 **(Appendix 7.5)**. The Company also earned profit during the period of review **(Appendix 7.6)**. The interest on term loans, which is the main source of operational income, however, decreased from Rs 6.54 crore in 2002-03 to Rs 4.74 crore in 2006-07.

7.12.7 Sources and uses of funds

The Company arranges its funds mainly through equity/receipt of grants from GOI/the Government of Union Territory of Puducherry (GUTP) and from recovery of loans and interest thereon, which are used for achievement of its objectives. The budgeted and actual inflow/outflows during the period from 2002-03 to 2006-07 are given in **Appendix 7.7**. It could be seen from the Appendix that:

- The Company did not receive the anticipated assistance from the Government of Union Territory in the form of equity capital except in 2005-06.
- The receipt of grants from the GOI/GUTP declined from Rs 2.85 crore in 2002-03 to Rs 1.11 crore in 2004-05 and no grant was received in 2005-06 as the implementation of the GOI schemes such as Growth Centre and ASIDE scheme were moving at snail's pace. The Company, however, received grant of Rs 55.70 crore from the GUTP in 2006-07 for the purpose of setting up of Special Economic Zone at Sedarapet and Karasur.
- The budgeted recovery of interest every year remained stagnant for the last five years. There was, however, shortfall in the recovery of interest, which varied from 6.57 to 32.29 *per cent*. The stagnant targets and shortfall in the recovery of interest reflect poor collection efficiency.

- There was shortfall in achievement in respect of target fixed for spending under area development and maintenance of industrial estates, which ranged between 80.58 and 98.09 *per cent* of the targets.

- The Company has not ventured into the activities *viz.*, investment in shares, venture capital fund, housing, leasing/hire purchase schemes, etc during the review period though the Company had budgeted for Rs 5.25 crore and Rs two crore in 2002-03 and 2003-04 respectively.

7.12.8 Development of industrial estates

The Company has developed three industrial estates, two information technology parks and one industrial growth centre so far (September 2007). The plots and work sheds in these estates/parks were allotted to the entrepreneurs either on premium lease[12] or annual lease basis. It was noticed that the Company had not planned for the integrated development of industries in the Union Territory. During the period under review, the Company developed only one industrial growth centre at Karaikal partially as discussed in **paragraph 7.12.9**.

The details of industrial estates/information technology parks/growth centres developed along with details of land acquired, plots/sheds developed and allotted till August 2007 are given below:

Sl. No	Name of the Industrial Estate	Land acquired (in acres)	Year of comple-tion	Total plots develo-ped	Total sheds develop-ped	Allotment		Vacant	
						Plots	Sheds	Plots	Sheds
1.	Kirumambakkam (KIE)	25.00	1975	14	8	14	8	---	---
2.	Mettupalayam (MIE)	168.00	1976	415	89	415	89	---	---
3.	Sedarapet (SIE)	62.00	1982	187	---	187	---	---	---
4.	Thirubuvanai Electronic Park (TEP)	52.00	1999	123	8	111	8	12*	---
5.	Information Technology Park, Pillaichavady	18.00	1999	---	28	---	23	---	5**
6.	Industrial Growth Centre, Karaikal (Phase-IA)	196	2003	74	---	17	---	57	---

Source: Particulars furnished by the Company.

*** Since February 2007** **** Since July 2007**

It could be seen from the above that the Company is yet to allot 57 plots in the Industrial Growth Centre, Karaikal even after completion of centre four years (December 2003) back mainly due to lack of demand for plots.

7.12.9 Industrial Growth Centre, Karaikal

The GOI announced (1988) setting up of 100 growth centres throughout the country in a five year period *i.e.*, before 1993. Karaikal, being a backward

12 Premium lease means lease for a period of 99 years.

area, was selected (July 1988) as one of the sites for the purpose. The Company was appointed (November 1990) as the nodal agency for execution of the growth centre at Karaikal.

GUTP gave approval (August 1991) for establishment of the growth centre at Keezhaiyur village (North and South) in Karaikal at a cost of Rs 19.70 crore. The GOI and GUTP were to give grant of Rs 10 crore each for this work. When the process for acquisition of the land was started (March 1994), it was noticed that the land identified in Keezhaiyur village had considerably reduced mainly due to sale of land by land owners to various entrepreneurs for aqua cultural activities. Consequently, the Company changed (May 1997) the proposed location of the growth centre to Polagam village at Karaikal and submitted a revised project report for Rs 25 crore without carrying out any feasibility study and market survey. The revised project was approved (October 1997) by the GOI.

The development work of the growth centre was to be completed by March 1999 in three phases (Phase-IA, Phase-IB and Phase-II). The Company acquired (April to July 1999) 596.65 acres of land in Polagam village at a cost of Rs 5.73 crore against the originally estimated (during 1997) amount of Rs 3.85 crore. The development work under Phase-IA covering 196 acres was completed (2003) at a cost of Rs 14.43 crore leaving some minor works on water and sewerage plant. The work on the other two phases has not been taken up so far (August 2007).

Delay in completion of the project resulted in cost overrun of Rs 2.28 crore

The delay in completion of the project resulted in cost overrun of Rs 2.28 crore over the estimated project cost for Phase-IA. The actuals would far exceed the estimate for all the three phases.

As against 74 plots developed at a cost of Rs 10.61 crore for allotment (December 2003) under Phase-IA, only 17 plots had been allotted (November 2005). As there was no further demand, the remaining 57 plots could not be allotted, so far (September 2007). In view of poor response for industrial plots in the growth centre, the Company decided (September 2006) to divert 300 to 400 acres of land to the port based Special Economic Zone.

Selection of location without conducting feasibility study and market survey resulted in lack of demand of plots in the growth centre

The Management stated (September 2007) that the withdrawal of sales tax concessions, lifting of 25 per cent investment subsidy, changes in Government policies and introduction of uniform tax were the reasons for poor off-take of the plots. It was further stated that demand for the industrial plots was expected to improve once the allotment of plots was converted from annual lease to premium lease. The fact, however, remains that the Company's selection of site for growth centre at Karaikal appears to be unsatisfactory as there were no takers for 57 plots in Phase-IA since November 2005. This argument is strengthened by the fact that Phase-IB and Phase-II were not taken up as of August 2007.

Maintenance of industrial estates

7.12.10 Non revision of the lease rent

The Company failed to review and revise the lease rent periodically resulting in loss of revenue

The work sheds in Mettupalayam Industrial Estate (MIE), Kirumambakkam Industrial Estate (KIE) and Thirubuvanai Electronic Park (TEP) were allotted to the entrepreneurs on monthly lease rental basis. The lease was initially for a period of three years and renewable after every three years. The Company did not have a system of revising the lease rent periodically for the work sheds.

Audit scrutiny revealed the following deficiencies:

- After fixing the initial rent in 1976 for work sheds in MIE, the Company took 17 years to carry out the first revision of the rent (May 1993). The lease rent was further revised after four years (May 1997) followed by another revision after seven months (January 1998). There has been no further revision of lease rent so far (August 2007).
- In respect of work sheds in KIE, the Company took seven years for the first revision (1982). Subsequently, the lease rent was revised (April 1996) after 14 years and again after five years (September 2001). There has been no further revision of lease rent thereafter (August 2007).
- In case of TEP, the lease rent was revised only once (January 2001). There was no revision of lease rent thereafter (August 2007).
- The terms and conditions of the allotment of sheds and plots did not include a penal clause for default in payment of rent. In the absence of any penal clause, arrears of lease rent, which was Rs 40.49 lakh as on 31 March 2002 increased to Rs 1.35 crore by 31 March 2007.

The Management stated (September 2007) that the revision of lease rent for plot/sheds would be submitted to the BODs after the receipt of guidelines for value/market value of land from the Revenue Department.

Thus, due to non-revision of the lease rent periodically, the Company failed to earn reasonable revenue.

7.12.11 Non revision of the maintenance charges

The Company was recovering the maintenance charges at the rate of 30 paise per square metre per month since April 2000 in respect of MIE and SIE. It was noticed that while arriving at the maintenance charges to be recovered from allottees, the Company did not take into account salary and allowances paid to staff engaged on the maintenance work. The reasons for non-inclusion were not on record. Further, the maintenance charges were to be revised after two years. No revision has, however, been made so far (August 2007), even though there has been increase in the maintenance expenditure.

Failure to revise the rate for maintenance charges periodically and non-inclusion of salary and allowances of maintenance staff while arriving at the maintenance cost resulted in loss of Rs 2.21 crore

It was noticed that as against the maintenance expenditure of Rs 2.71 crore (excluding Rs 1.11 crore towards salaries and allowances of the maintenance staff, which has not been included by the Company in the maintenance cost) incurred during 2000-01 to 2006-07, the Company had demanded only Rs 1.61 crore as maintenance charges leaving balance of Rs 1.10 crore un-recovered. Thus, due to non-revision of the rate for maintenance charges periodically and by not including salary and allowance of the maintenance staff while arriving at the maintenance cost, the Company suffered a loss of Rs 2.21 crore[13]. Even against the demand of Rs 1.61 crore, it could collect only Rs 60.59 lakh so far (September 2007).

The Management stated (September 2007) that the maintenance charges were collected whenever the units approached the Company for various services. The reply indicates that there was no effective system of recovering the maintenance charges. This resulted in increase in the arrears of maintenance charges and it stood at Rs one crore as on 31 March 2007. Further, the Management did not reply to the non-inclusion of salary and allowances of the staff engaged on the maintenance work while arriving at the maintenance cost.

7.12.12 Assistance to States for Developing Export Infrastructure and Allied Activities Scheme

The GOI launched (March 2002) a new scheme titled "Assistance to States for Developing Export Infrastructure and Allied Activities" (ASIDE). The objective of the scheme was to involve the states in export promotion by providing assistance for creation of infrastructure for the development and growth of exports. Funds for creation of infrastructure for export like creation of new export promotion industrial park, equity participation in infrastructure projects, development of roads connecting the production centres with the ports, etc., were to be provided by the GOI to the State Level Nodal Agency nominated by the State Government for the purpose. The Company was the nodal agency for the implementation of this scheme in the GUTP.

- The Company identified (May 2003) a project *viz.*, setting up of an Export Facilitation Centre (EFC) in a prime land owned by the Company at Jawaharlal Nehru Street, Puducherry to provide market intelligence on the export opportunities and guidance on export procedures at an estimated cost of Rs one crore. The project was approved (August 2003) by State Level Export Promotion Committee (SLEPC). The Company decided (September 2004)) to change the design of the building and approval for the revised design was received only in September 2006 from SLEPC. The contract for construction of the building is yet to be awarded (September 2007). An expenditure of Rs 4.40 lakh only has been incurred on the project so far (September 2007).

[13] Rs 2.71 crore *plus* Rs 1.11 crore *minus* Rs 1.61 crore

- The GOI sanctioned (during 2002-03 to 2006-07) Rs 12.20 crore under the scheme but released only Rs 4.50 crore during 2002-03 and 2003-04. As the Company could not utilise this amount fully, no further funds were released by the GOI.

- It was noticed that the Company incurred (September 2006) Rs 1.90 crore on acquisition of land for setting up of a Special Economic Zone (SEZ) at Sedarapet and Karasur. Audit scrutiny revealed that the Company diverted Rs 73.31 lakh for construction of a boundary wall at the Information Technology Park, Pillaichavady and an industrial shed at Electronic Park at Thirubuvanai, which were not covered under the objectives of the scheme. The balance unutilised amount of Rs 1.82 crore was kept in fixed deposits.

The Management stated (September 2007) that two new works *viz.*, construction of two buildings at Electronic Park, Thirubuvanai and improvement to the existing BT Road at MIE at a cost of Rs 4.33 crore would be taken up and funds would be utilised. The reply is not tenable as even these two works are also not covered under the objectives of the scheme.

Thus, the Company was able to utilise only Rs 1.94 crore on the projects related to the scheme resulting in the non-achievement of the objectives of the scheme.

7.12.13 Equity participation

During the period under review, no equity participation was made by the Company. The Company had equity holding of Rs 74.37 lakh in nine units as on March 2006 against which the Company made a provision of Rs 55.64 lakh towards diminution in value of investment in their accounts (accounts for 2006-07 are yet to be finalised). The Company had not evolved any disinvestment policy so far (April 2007), though it was pointed out in the earlier review. It was noticed that the Company has not nominated its nominees on the BODs of the units despite recommendations of the CPA to do so. As a result, the Company did not have monitoring mechanism to watch the performance of the units in which the Company had invested in equity shares.

7.12.14 Term loan assistance

Industrial promotion

The Company provides term loan assistance for setting up of new industrial units as well as for expansion, modernisation and diversification of the existing units. On receipt of application along with detailed project report from the intended beneficiary, the Company conducts technical and financial appraisals to assess the economic viability of the project. Loans upto Rs five crore for a project are sanctioned by the Company. Loans are required to be disbursed after verifying the genuineness and adequacy of securities provided by the borrowers.

The details of number of units assisted, amount of loan budgeted and disbursed by the Company during the last five years are given below:

(Rupees in crore)

Year	Number of units	Budgeted loan	Loan disbursed	Percentage of achievement (4) to (3)
(1)	(2)	(3)	(4)	(5)
2002-03	92	12.00	13.85	115.42
2003-04	63	12.00	12.61	105.08
2004-05	54	13.50	11.76	87.11
2005-06	51	13.50	13.11	97.11
2006-07	49	9.00	8.83	98.11

Source: Data furnished by the Company

It could be seen from the table that the number of units assisted by the Company in a year steadily declined from 92 in 2002-03 to 49 in 2006-07. During 2002-07, the percentage of disbursement ranged between 87.11 *per cent* to 115.42 *per cent.*

7.12.15 Sanction and disbursement

Details of loan sanctioned and disbursed during 2002-03 to 2006-07 are given below:

(Rupees in crore)

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Applications pending as on 1 April	22	9.40	13	6.91	26	14.87	19	12.75	29	16.68
Applications received during the year	99	42.41	90	33.03	72	35.17	73	41.26	80	19.05
Rejected/ withdrawn	16	18.64	14	6.92	25	16.42	12	13.80	22	2.38
Sanctioned	92	23.89	63	16.57	54	15.15	51	22.83	49	12.09
Applications pending as on 31 March	13	6.91	26	14.87	19	12.75	29	16.68	38	21.25
Disbursement		13.85		12.61		11.76		13.11		8.83

Source: Data furnished by the Company

It will be seen from the table that the number and amount of loans sanctioned were declining, which was stated to be due to the stiff competition from banks, who were advancing loans of higher amounts at lower rate of interest.

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

Out of 263 cases of loans sanctioned during the period, 96 sanctions were scrutinised in audit. The following pre-sanction defects were noticed in six cases as detailed in **Appendix 7.8** resulting in non-recovery of overdues to the extent of Rs 5.48 crore.

- Project reports not scrutinised thoroughly to ensure feasibility, profitability and marketability of the products and availability of raw materials.
- Sanction of loans when the units were incurring heavy losses.
- Failure to ensure availability of sufficient working capital by the units, which sought the loans.

A case of non-recovery of overdues on account of defective pre-sanction appraisal is discussed below:

7.12.16 Jayaprakash Co-operative Spinning Mills Limited

The Company sanctioned (March 2003) and disbursed a loan of Rs four crore to a unit (a Co-operative society registered under the Pondicherry Co-operative Societies Act, 1972) to settle the high interest bearing loans availed by the unit from the banks. The unit repaid the major portion of the said loan well in advance and requested (January 2005) the Company to sanction a short-term loan of Rupees two crore to meet its working capital requirement. The loan was sanctioned (March 2005) and it was to be repaid in 12 quarterly instalments commencing after a moratorium period of three months from the date of disbursement. The loan was disbursed in May 2005.

It was noticed that at the time of sanctioning of short-term loan, the unit was incurring losses and this fact was ignored while sanctioning the loan. Consequently, the unit defaulted (April 2006) in repayment of the first instalment of principal and interest and as on 31 May 2007, the dues against the unit accumulated to Rs 1.74 crore (principal Rs 1.44 crore *plus* interest Rs 0.30 crore).

The Management stated (September 2007) that the short term loan was sanctioned in good faith to the unit as the unit had assured to repay the loan immediately on receipt of the grant-in-aid or share capital from the GUTP, as was done while settling the earlier loan. As such the Company did not secure its loans. It was further stated that the Company was taking steps to take up the matter with the GUTP for initiating action to settle the short term loan availed by the unit. The reply is not tenable as when the short term loan of Rupees two crore was sanctioned to the unit in March 2005, it was incurring losses, which should not have been ignored while sanctioning the said loan. Further, there was no guarantee/assurance from the GUTP that it would extend grant-in-aid to the unit. Thus, non-follow up of security norms while sanctioning the loan to the unit resulted in non-recovery of dues of Rs 1.74 crore.

7.12.17 Monitoring and follow up of the assisted units

The follow-up of dues commences from the due date for the payment of first instalment of interest and ceases with the discharging of loan accounts. There is no codified procedure in the Company for monitoring and follow up of recovery from the assisted units. The following procedure, however, was being followed by the Company:

- The assisted units had to submit half yearly/annual audited statement of accounts so as to monitor their performance by the Company. Only few units were submitting the statement of accounts to the Company.

- The officials of the Company had to visit the units. The Company, however, did not prescribe any periodicity for such visits and also did not maintain any record to watch the number of visits and the amount recovered as a result of such visits.

In the absence of guidelines for monitoring the follow-up actions and maintenance of any record to watch the inspections carried out, the effectiveness of monitoring and follow-up could not be ensured in audit. It was also noticed that in majority of the cases there was abnormal delay in taking possession of the units under Section 29 of the SFC Act and also to auction the seized assets.

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

During the test check, it was noticed that poor monitoring and follow-up during the period resulted in non-recovery of dues amounting to Rs 10.79 crore (**Appendix 7.9**). Some of these cases are discussed in the succeeding paragraphs.

7.12.18 Rebarzaar Medi Plastics India (Private) Limited

A term loan of Rs 94.59 lakh for the manufacture of disposable syringes was disbursed (February 1998 to July 1999) to the unit. The unit commenced production in June 2000. The performance of the unit was not satisfactory from the beginning as the unit was operating below capacity for want of sufficient working capital. The unit defaulted (June 1998) in payment of the interest and also defaulted (February 1999) in repayment of principal from the first instalment.

The Company took possession (September 2000 to July 2006) of the unit as many as four times for non-payment of the dues, but, released the same on the assurances given by the unit to settle the dues and on receipt of paltry sum ranging from Rs two lakh to Rs five lakh. However, the unit did not honour its assurances and cheques received from the unit were also dishonoured on many occasions. The dues recoverable from the unit mounted to Rs 4.12 crore (including interest of Rs 3.17 crore) by March 2007. The Company decided (March 2007) to seize the assets but again deferred the same based on the request (March 2007) of the unit.

The Management stated (September 2007) that if the seized assets were put to auction, the Company could realise only part amount and for the balance, the Company had to resort to recovery either under the Revenue Recovery Act or under civil suit, which would take its own time. The Company further stated that it had offered an One Time Settlement scheme (OTS) to the unit to be settled by 31 December 2007 and the unit was expected to avail the same. The reply is not tenable as the decision to release the assets (between September 2000 and July 2006) after getting assurance for payment of dues was not justified as the unit has never fulfilled its assurance of payment. Further the unit has not availed of the benefit of OTS so far (September 2007).

Thus, failure to seize the assets in spite of repeated dishonour of cheques received from the unit and its non fulfillment of the commitment to settle the dues resulted in mounting of arrears to Rs 4.12 crore.

7.12.19 Sree Krishna Modern Rice Mill

The Company extended (July 2000) a term loan of Rs three lakh and a working capital loan of Rs 20 lakh to this existing unit at an interest rate of 15 *per cent* per annum for modernisation of the rice mill. Against this, the unit availed Rs 1.88 lakh towards term loan and Rs 20 lakh towards working capital loan between October and December 2000. As per terms and conditions of the sanction, these loans were repayable in 20 quarterly instalments commencing after a moratorium period of six months from the date of first disbursement. The unit defaulted in repayment and requested (February 2004) for rescheduling of the loans. Despite rescheduling of the loans (April 2004), the unit continuously defaulted in payment of the dues on the grounds of scarcity of working capital and non availability of raw material due to failure of monsoon. The unit also complained about high rate of interest charged on the loan as the main reason for its mounting interest burden. Even though, the overdues accumulated to Rs 37.40 lakh (principal Rs 21.63 lakh and interest Rs 15.77 lakh as on 31 March 2007), the Company failed to take possession of the assets of the unit under Section 29 of the SFC Act, 1951. The Company, however, under a general OTS scheme valid upto 31 December 2007, made (July 2007) an offer whereby the unit was to pay Rs 25.57 lakh (principal of Rs 21.63 lakh and 25 *per cent* of interest amounting to Rs 3.94 lakh) with 30 *per cent* of the principal amount payable upfront before 31 August 2007. The unit did not make the upfront payment by the due date.

The Management stated (September 2007) that the promoter of the unit had agreed to settle the dues as per OTS and he was informed that in the event of failure, the action under Section 29 of the SFC Act, 1951 would be taken. The fact, however, remains that the unit had not paid the upfront amount of Rs 6.49 lakh by 31 August 2007 and the Company had not initiated any action under Section 29 of the SFC Act, 1951 so far (September 2007).

7.12.20 Babu Modern Rice Mill

The unit availed (December 1994) a term loan of Rs 19 lakh and working capital loan of Rs 6.50 lakh for setting up of a Modern Rice Mill (MRM) at Nettapakkam Commune, Puducherry. The unit was sanctioned (October 1998) another term loan of Rs 11 lakh and working capital loan of Rs 15.50 lakh for modernisation of the MRM.

Since the unit defaulted in repayment of loans and interest, the assets were taken over (28 March 2005) under Section 29 of the SFC Act by the Company. But the assets were handed over back (30 March 2005) to the promoter on receipt of Rs seven lakh and assurance to settle the balance dues. The unit, however, did not honour its commitment.

The Management stated (September 2007) that the promoter had agreed to clear the dues under OTS and remitted (August 2007) Rs 10.87 lakh as upfront payment under OTS. If the unit failed to settle the balance OTS amount by December 2007, the recovery action would then be initiated.

7.12.21 Recovery performance

The principal amount and interest are collected on quarterly basis from the loanees. Amount collected as a result of recovery of principal and interest is ploughed back for the activities of the Company, which in turn earn further revenue to the Company. The Company fixes annual targets for the recovery of principal and interest on consolidated basis. The targets fixed and actual realisation there against during the period 2002-03 to 2006-07 are given below:

(Rupees in crore)

As on 31 March	Dues (including overdues)			Target	Target as a percentage of dues	Collection		
	Principal	Interest	Total	Principal and interest		Actual	Percentage to target	Percentage to total dues
2003	28.22	43.53	71.75	18.00	25.09	17.99	99.94	25.07
2004	31.03	44.28	75.31	19.00	25.23	16.88[14]	88.84	22.41
2005	31.98	45.83	77.81	19.00	24.42	17.35[15]	91.32	22.30
2006	33.21	46.05	79.26	19.00	23.97	14.19[16]	74.68	17.90
2007	32.58	48.52	81.10	20.00	24.66	14.63[17]	73.15	18.04

Source: Data furnished by the Company

It will be seen from the above that, the target fixed was almost stagnant (Rs 19 crore) over the years and ranged from 23.97 *per cent* to 25.23 *per cent* of the total dues. The total amount collected as a percentage of target declined from 99.94 in 2002-03 to 73.15 in 2006-07. The percentage of amount

14 Excluding amount of Rs 4.26 crore received on foreclosure of loans.
15 Excluding amount of Rs 50.20 lakh received on foreclosure of loans.
16 Excluding amount of Rs 3.03 crore received on foreclosure of loans.
17 Excluding amount of Rs 7.45 crore received on foreclosure of loans.

collected to the total dues also declined from 25.07 in 2002-03 to 18.04 in 2006-07.

The Management stated (September 2007) that to improve the recovery, it was in the process of setting up of a recovery wing and higher recovery target would be fixed in the ensuing years. The reply is not acceptable since the stagnant targets and declining trend of actual collections led to ever rising accumulation of dues reflecting poor efficiency of the organisation.

7.12.22 Non performing assets

Reserve Bank of India stipulated (April 2001) new norms for recognising the non-performing assets (NPA) as per which the asset of a financial institution would be treated as non-performing if interest and/or instalment of principal remained unpaid for more than 180 days with effect from the year ending 31 March 2002.

The details of NPA, as per above norms, for the five years ending 2006-07 are as under:

(Rupees in crore)

Type of assets	2002-03	2003-04	2004-05	2005-06	2006-07
Total assets/loan balance	54.88	53.41	53.68	54.88	46.33
Less: Standard assets	30.54	29.41	28.31	23.46	18.15
Non performing assets	24.34	24.00	25.37	31.42	28.18
Percentage of NPA to total assets	44.35	44.94	47.26	57.25	60.82

It could be seen from the above details that the NPA which stood at Rs 24.34 crore at the end of 2002-03 increased to Rs 28.18 crore at the end of 2006-07. The NPA increased to 60.82 *per cent* (March 2007) of the total assets from 44.35 *per cent* (March 2003), which is abnormally high and does not indicate a healthy trend.

The Management stated (September 2007) that to improve the recovery performance and further reduce the NPA, it had adopted the one time settlement scheme from time to time and had again reintroduced the one time settlement scheme to be availed by the units before 31 December 2007. The Company added that it expected considerable reduction in NPA with the introduction of the scheme. The reply is not acceptable since it is not a financial prudent policy to first allow the arrears to mount and then introduce OTS routinely from time to time.

7.12.23 Internal control system

Internal control is a management tool to ensure that the objectives are achieved in an effective and orderly manner, assets are safeguarded and rules and procedures are complied with. The internal controls prescribed in the Company were not effective as discussed below:

The time frame prescribed by the Company for processing of the applications for loans ranged from 15 to 30 days depending upon the quantum of the loan. It was noticed that during the four years ending 2005-06, the Company had taken six to 12 months to process 19 applications for assistance of Rs 13.10 crore and more than 12 months to process 24 applications for assistance of Rs 13.47 crore out of 356 applications received. The Company has not analysed the reasons for taking such a long time for processing the applications and taken effective steps to reduce the processing time.

Only sanction files relating to assistance of Rs 25 lakh and below are routed through the Finance wing of the Company, while cases above Rs 25 lakh are kept out of the purview of Finance wing. This is a serious internal control lapse since financial aspects involved in the sanction of high value loans would not be analysed unless the sanction files are routed through the Finance wing.

Thus, the internal control mechanism has to be strengthened to avoid abnormal delay in processing of the applications and to ensure that loans are sanctioned only for viable projects duly scrutinised by the Finance wing.

7.12.24 Conclusion

The contribution of the Company towards the industrial growth in the Union Territory of Puducherry was on the decline. The Company has not prepared an integrated plan for the industrial development of the area. The Company has developed only one growth centre at Karaikal during 2002-03 to 2006-07. Delay in development of growth centre resulted in time and cost overruns. Failure to carry out feasibility study and market survey before selecting the location for growth centre resulted in lack of demand for plots from the units. The Company failed to review and revise the lease rent periodically resulting in loss of revenue. Failure to revise the rate for maintenance charges periodically and non-inclusion of salary and allowances of maintenance staff in the maintenance rates resulted in loss of revenue. The defective pre-sanction appraisals of the projects and ineffective follow-up and monitoring of the assisted units by the Company resulted in non-recovery of overdues and increased Non-Performing Assets. The internal control system in the Company was not effective.

Recommendations

- The Company must take a proactive role in industrial development of GUTP through aggressive publicity and more easier paper work and liberalised rules if it has to compete with banks.
- The Company should learn from mistakes made in selection of sites of growth centres and industrial estates. Fact is that there are no takers for plots. Though loans are given and available, the beneficiaries default in payments, which means that selection of beneficiaries was not correct.

- The Company should revise the lease rent and maintenance charges periodically so that the Company is not put to financial losses.

- Existing and successful units should be encouraged to expand. Further new units should be monitored to see whether they have started production or the owners are using plots only for investment.

- The Company has to strengthen the monitoring and follow-up procedure to ensure timely recovery of its dues and reduce the non-performing assets.

Chennai,
The

(SHANKAR NARAYAN)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry.

Countersigned

New Delhi,
The

(VINOD RAI)
Comptroller and Auditor General of India.

Appendices

Appendix 1.1
(Reference: Paragraph 1.1; Page 1)

Part A: Layout of Finance Accounts

Statement	1	Presents the summary of transactions in the Consolidated and Contingency Funds.
Statement	2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of the financial year.
Statement	3	Contains the summarised debt position showing receipts, repayments and current balance.
Statement	4	Contains the summary of loans and advances by the Government.
Statement	5	Contains details of guarantees given by the Government of India on behalf of the Government of Puducherry.
Statement	6	Contains the summary of balances under Consolidated and Contingency Funds.
Statement	7	Contains the revenue and expenditure under different heads as a percentage of total revenue/expenditure.
Statement	8	Shows the distribution between charged and voted expenditure.
Statement	9	Contains detailed account of revenue by minor heads.
Statement	10	Contains detailed account of revenue expenditure by minor heads.
Statement	11	Contains detailed account of capital expenditure by minor heads incurred during the year and the expenditure to the end of the year.
Statement	12	Contains details of investments made in Government companies and co-operative institutions up to the end of the year.
Statement	13	Contains capital and other expenditure and the principal sources of funds for such expenditure.
Statement	14	Contains details of receipts, disbursements and balances under debt, loans and advances and Contingency Fund.
Statement	15	Contains detailed position of debt.
Statement	16	Contains details of loans and advances by the Government.

Appendix 1.1
(Reference: Paragraph 1.2; Page 4)

Part B : List of terms used in the Chapter I and basis of their calculation

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/ GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount /Previous year Amount)-1]* 100
Development Expenditure	Social Services + Economic Services
Interest spread	GSDP growth – Weighted Interest Rate
Interest received as *per cent* to Loans Outstanding	Interest Received/ [(Opening balance + Closing balance of Loans and Advances) / 2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Weighted Interest Rate (Average interest paid by the UT)	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) / 2]*100
GSDP	GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production

Appendix 1.2
(Reference: Paragraphs 1.2 and 1.7; Pages 4 and 19)

Time series data on Union Territory Government finances

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Part A. Receipts						
1. Revenue Receipts	**1,073(84)**	**1,185(83)**	**1,303(83)**	**1,631(82)**	**1,802(84)**	**1,884(81)**
(i) Tax Revenue	269(25)	276(23)	353(27)	404(25)	479(27)	570(30)
Taxes on Sales, Trade, etc.	160	150	203	246	304	365
State Excise	76	88	106	110	125	144
Taxes on vehicles	19	22	23	24	26	29
Stamps and Registration fees and other taxes	14	16	21	24	24	32
(ii) Non-tax Revenue	302(28)	412(35)	454(35)	501(31)	511(28)	550(29)
(iii) Grants-in-aid from Government of India	502(47)	497(42)	496(38)	726(44)	812(45)	764(41)
2. Miscellaneous Capital Receipts	--	--	--	--	--	--
3. Total Revenue and Non debt capital receipts (1+2)	**1,073**	**1,185**	**1,303**	**1,631**	**1,802**	**1,884**
4. Recoveries of Loans and Advances	**6(1)**	**6(1)**	**6(0)**	**6(0)**	**6(0)**	**8(0)**
5. Public Debt Receipts	**193(15)**	**230(16)**	**268(17)**	**348(18)**	**353(16)**	**444(19)**
Loans and Advances from Government of India	193	230	268	348	353	444
6. Total receipts in the Consolidated Fund (3+4+5)	**1,272**	**1,421**	**1,577**	**1,985**	**2,161**	**2,336**
7. Total receipts of the Union Territory	**1,272**	**1,421**	**1,577**	**1,985**	**2,161**	**2,336**
Part B. Expenditure/Disbursement						
8. Revenue Expenditure	**1,099(86)**	**1,151(84)**	**1,294(85)**	**1,573(84)**	**1,794(83)**	**1,927(81)**
Plan	246(22)	272(24)	332(26)	431(27)	646(36)	698(36)
Non-plan	853(78)	879(76)	962(74)	1,142(73)	1,148(64)	1,229(64)
General Services (including interest payments)	223	249	295	343	381	463
Social Services	319	361	411	579	684	701
Economic Services	554	538	585	648	726	759
Grants-in-aid and contributions	3	3	3	3	3	4
9. Capital Expenditure	**119(9)**	**148(11)**	**146(10)**	**193(10)**	**289(13)**	**360(15)**
Plan	121	147	145	195	290	356
Non-plan	(-) 2	1	1	(-) 2	(-) 1	4
General Services	15	20	11	15	26	33
Social Services	22	40	44	65	94	75
Economic Services	82	88	91	113	169	252
10. Disbursement of Loans and Advances	**7 (1)**	**5(0)**	**5(0)**	**5(0)**	**4(0)**	**3(0)**
11. Total (8+9+10)	**1,225**	**1,304**	**1,445**	**1,771**	**2,087**	**2,290**
12. Repayments of Public Debt	**54(4)**	**61(4)**	**69(5)**	**107(6)**	**86(4)**	**97(4)**
Loans and Advances from Government of India	54	61	69	107	86	97
13. Total disbursement out of Consolidated Fund (11+12)	**1,279**	**1,365**	**1,515**	**1,878**	**2,173**	**2,387**
14. Total disbursement by the Union Territory	**1,279**	**1,365**	**1,515**	**1,878**	**2,173**	**2,387**
Part C. Deficit/Surplus						
15. Revenue surplus / deficit (1-8)	(-) 26	(+) 34	(+) 9	(+) 58	(+) 8	(-) 43
16. Fiscal deficit (3+4-11)	(-) 146	(-) 113	(-) 136	(-) 134	(-) 279	(-) 398
Part D. Other data						
17. Interest payments (included in revenue expenditure)	101	116	134	153	171	187
18. Arrears of revenue (Percentage on Tax and Non-tax Revenue Receipts)	67 (12)	77 (11)	83 (10)	91 (10)	109 (11)	142 (13)
19. Financial assistance to local bodies, etc.	100	111	132	228	332	260
20. Outstanding debt (year end)	945	1,113	1,312	1,553	1,820	2,168
21. Outstanding guarantees (year end)	23	18	11	9	8	4
22. Maximum amount guaranteed (year end)	38	38	35	22	35	34
23. Number of incomplete projects	73	32	52	94	120	65
24. Capital blocked in incomplete projects	39	34	44	50	81	93

Note : Figures in brackets represent percentages to total of each sub-heading

Appendix 1.3
(Reference: Paragraph 1.2; Page 4)

Abstract of Receipts and Disbursements for the year 2006-07

Section-A: Revenue **(Rupees in crore)**

Receipts				Disbursements					
2005-06			2006-07	2005-06		Non-plan	Plan	Total	2006-07
1,801.88	I Revenue receipts		1,883.56	1,794.42	I Revenue expenditure-	1,229.08	697.94	1,927.02	1,927.02
479.40	-Tax revenue	569.55							
510.99	-Non-tax revenue	549.92		381.07	General Services	416.84	46.63	463.47	463.47
		1,119.47							
				683.87	Social Services-	275.03	426.20	701.23	701.23
					Education, Sports, Art and Culture	130.05	88.52	218.57	
811.49	-Grants-in-aid and Contributions :	764.09			Health and Family Welfare Services	62.50	105.41	167.91	
					Water supply, Sanitation, Housing and Urban Development	23.74	76.24	99.98	
	Non-Plan	491.68			Social Welfare and Nutrition	36.62	122.81	159.43	
					Others	22.12	33.22	55.34	
	Plan:								
	Union Territory Plan Schemes	243.35		726.03	Economic Services-	533.44	225.11	758.55	758.55
	Central Plan Schemes				Agriculture and Allied Activities	26.81	74.17	100.98	
	Centrally Sponsored Plan Schemes	29.06			Energy	478.99	9.46	488.45	
	External Grant Assistance				Industry and Minerals	1.33	20.98	22.31	
					Others	26.31	120.50	146.81	
				3.45	Grants-in-aid and Contributions	3.77	--	3.77	3.77
	II Revenue deficit carried over to Section B		43.46	7.46	II Revenue surplus carried over to Section B				--
1,801.88	**Total**		**1,927.02**	**1,801.88**	**Total**				**1,927.02**

Section-B: Others **(Rupees in crore)**

Receipts					Disbursements						
2005-06				2006-07	2005-06			Non-plan	Plan	Total	2006-07
255.60	III	Opening cash balance		243.87		III	Opening balance				
	IV	Miscellaneous Capital Receipts			288.81	IV	Capital Outlay -	3.88	356.44	360.32	360.32
							General Services		33.29	33.29	33.29
							Social Services-		75.34	75.34	75.34
							Education, Sports, Art and Culture		18.31	18.31	
							Water supply, Sanitation, Housing and Urban Development		38.32	38.32	
							Others		18.71	18.71	
							Economic Services-	3.88	247.81	251.69	251.69
							Energy	3.88	34.86	38.74	
							Industry and Minerals		90.70	90.70	
							Others		122.25	122.25	
6.15	V	Recoveries of Loans and Advances-		8.11	3.85	V	Loans and Advances disbursed	2.02	1.07	3.09	3.09
		-From Government Servants	5.32				- Loans for Social Services	--	--	--	
		-From others	2.79				- Loans for Economic Services	--	1.07	1.07	
7.46	VI	Revenue surplus brought down		--			- Loans for Government Servants	2.02	--	2.02	
353.33	VII	Public debt receipts- Loans and Advances from Central Government-		443.76		VI	Revenue deficit brought down				43.46
					86.01	VII	Repayment of Loans and Advances to Central Government	49.16	47.15	96.31	96.31
		Non-plan									
		Plan									
		Centrally Sponsored Schemes									
--	VIII	Appropriation to Contingency Fund		--		VIII	Appropriation to Contingency Fund				--
--	IX	Amount transferred to Contingency Fund		--		IX	Expenditure from Contingency Fund				--
--	X	Excess of disbursement over receipt		--	243.87	X	Cash balance at end of the year				192.56
622.54		Total		695.74	622.54		Total				695.74

Appendix 1.4
(Reference: Paragraph 1.2; Page 4)

Sources and Application of funds

(Rupees in crore)

2005-06	Sources	2006-07
1,801.88	1. Revenue receipts	1,883.56
353.33	2. Public debt – Loans and advances from Government of India	443.77
6.15	3. Recoveries of Loans and advances	8.11
11.73	4. Decrease in cash balance	51.30
2,173.09	**Total**	**2,386.74**
	Application	
1,794.42	1. Revenue expenditure	1,927.02
86.01	2. Repayment of loans to Government of India	96.31
3.85	3. Lending for development and other purposes	3.09
288.81	4. Capital expenditure	360.32
--	5. Increase in cash balance	--
2,173.09	**Total**	**2,386.74**

Appendix 1.5

(Reference: Paragraphs 1.2 and 1.7; Pages 4 and 19)

Summarised financial position of the UT Government as on 31 March 2007

(Rupees in crore)

As on 31.03.2006	Liabilities		As on 31.03.2007
	Public Debt:		
	Loans and Advances from Central Government:		2,167.74
1,220.03	Non-Plan loans	1,614.64	
599.02	Loans for Union Territory plan schemes	551.94	
--	Loans for Central plan schemes	--	
1.23	Loans for Centrally sponsored schemes	1.16	
1,820.28			
0.50	**Contingency Fund**		0.50
	Surplus on Government Account :		
362.84	Opening balance brought forward	362.84	
	Add: *Pro forma* Corrections	--	
	Current year's surplus	(-) 43.46	
			319.38
2,183.62	**Total**		**2,487.62**
As on 31.03.2006	**Assets**		**As on 31.03.2007**
	Gross Capital Outlay:		
606.98	Investments in shares of Companies, Co-operatives, etc.	712.36	
1,291.02	Other Capital Outlay	1,545.96	2,258.32
	Loans and Advances:		
4.27	Loans to Co-operatives	5.01	
16.23	Other development loans	13.77	
21.26	Loans to Government Servants	17.96	36.74
243.86	Cash Balance		192.56
2,183.62	**Total**		**2,487.62**

Explanatory notes for Appendices 1.3, 1.4 and 1.5

1. The abridged accounts in the foregoing statements have to be read with comments and explanations in the Finance Accounts.

2. Government Accounts being mainly on cash basis, the surplus on Government Accounts as shown in **Appendix-1.5** indicates the position on cash basis as opposed to accrual basis in commercial accounting. Consequently, items payable and receivable or items like depreciation or variation in stock figures, etc., do not figure in the accounts.

3. There is no Public Account for the Union Territory (UT). The transactions pertaining to 'Debt' (other than those included in the Consolidated Fund), 'Deposits', 'Advances', 'Remittances' and 'Suspense' are accounted for in the Public Account of the Union Government.

4. The cash balance of the UT Government is merged in the general cash balance of the Government of India (GOI). The GOI had amended (September 2001) the Government of Union Territories Act, 1963 allowing the UT of Puducherry to operate their own 'Public Account' separately. As such the cash balance of Consolidated Fund of the UT, positive or negative, should not form part of the general cash balance of GOI. The UT Government after correspondence with GOI, notified the creation of 'The Public Account of the Union Territory' on 10 May 2006. However, Reserve Bank of India sought clarification (31 August 2006) from GOI and the separation has not taken effect. The cash balance of UT Government remained merged with the balance of GOI as of 31 March 2007. The balance adopted here is *pro forma* to enable tallying of total receipts with total disbursements, represents the excess of receipts over expenditure in the UT.

Appendix 1.6
(Reference: Paragraph 1.5.5; Page 18)

Pendency in furnishing utilisation certificates

Serial number	Department/Local Bodies/Institutions	Number of certificates outstanding	Amount (Rupees in lakh)
1.	College and Technical Education	2	243.08
2.	Directorate of School Education	7	470.17
3.	Directorate of Arts and Culture	31	95.25
4.	Health and Family Welfare	2	41.72
5.	Town and Country Planning	118	2,131.26
6.	Adi-dravidar Welfare	33	343.04
7.	Social Welfare	5	315.05
8.	Revenue	4	7,082.90
9.	Hindu Religious Institutions and Wakf Board	4	60.06
10.	Agriculture	26	1,039.45
11.	Co-operation	132	1,540.59
12.	Fisheries	69	1,748.54
13.	Rural Development	14	195.94
14.	District Industries Centre	3	18.44
15.	Science, Technology and Environment	2	14.54
16.	Information and Technology	2	237.90
17.	Tourism	2	110.40
18.	Civil Supplies	3	469.83
19.	Women and Child Development	5	129.81
20.	Local Administration, Puducherry	554	8,015.20
21.	Local Administration, Karaikal	510	3,820.33
22.	Mahe Municipality	63	483.58
23.	Yanam Municipality	125	666.92
24.	Yanam Marketing Committee	2	11.41
	Total	**1718**	**29,285.41**

Appendix 1.7
(Reference: Paragraph 1.6; Page 18)

Cases of misappropriation/losses pending finalisation as on 31 March 2007

Department-wise analysis along with departmental and criminal action pendency details

Serial number	Department	Number of cases	Amount (Rupees in lakh)	Pendency details	
				Action pending	Number of cases
(1)	(2)	(3)	(4)	(5)	(6)
1.	Adi-dravidar Welfare	1	0.43	Departmental	1
				Criminal	--
2.	Agriculture	4	0.22	Departmental	2
				Criminal	2
3.	Animal Husbandry	2	0.01	Departmental	2
				Criminal	--
4.	Art and Culture	2	0.05	Departmental	--
				Criminal	2
5.	Block Development Offices	1	0.15	Departmental	1
				Criminal	--
6.	Collegiate Education	1	17.97	Departmental	--
				Criminal	1
7.	Education	24	4.91	Departmental	10
				Criminal	14
8.	Electricity	233	702.40	Departmental	218
				Criminal	15
9.	Government Automobile Workshop	1	0.01	Departmental	--
				Criminal	1
10.	Health and Family Welfare	8	0.42	Departmental	4
				Criminal	4
11.	Local Administration	3	0.55	Departmental	1
				Criminal	2
12.	Police	2	0.30	Departmental	--
				Criminal	2
13.	Public Works	5	5.76	Departmental	4
				Criminal	1
14.	District Rural Development Agency	3	0.49	Departmental	--
				Criminal	3
15.	Revenue and Disaster Management	2	0.87	Departmental	--
				Criminal	2

(1)	(2)	(3)	(4)	(5)	(6)
16.	Tourism	1	0.50	Departmental	--
				Criminal	1
17.	Women and Child Development	3	5.00	Departmental	1
				Criminal	2
18.	Information Technology	1	1.14	Departmental	1
				Criminal	--
Total		**297**	**741.18**	**Departmental**	**245**
				Criminal	**52**

Appendix – 2.1
(Reference: Paragraph 2.3.2; Page 33)

Grants where savings in supplementary provision exceeded Rs 50 lakh

(Rupees in lakh)

Serial number	Grant number and Description	Supplementary Provision	Additional expenditure over original Grant	Savings in supplementary Grant
	Revenue - Voted			
1	17 Education	1,977.32	1,761.32	216.00
2	18 Medical	3,300.03	3,216.50	83.53
3	21 Social Welfare	3,852.47	3,718.85	133.62
4	25 Animal Husbandry	176.91	116.91	60.00
	TOTAL	**9,306.73**	**8,813.58**	**493.15**

Appendix – 2.2
(Reference: Paragraph 2.3.3; Page 33)

Cases where expenditure fell short by Rs 50 lakh or more and also by more than 10 *per cent* of total provision

(Rupees in lakh)

Serial Number	Grant Number	Head of Account					Total Provision (Original + Supplementary)	Expenditure	Savings	Percentage of savings over total provision
(1)	(2)	(3)					(4)	(5)	(6)	(7)
1.	06	2029	00	800	01	02	100.00	0.00	100.00	100.00
2.	06	2216	03	102	02	01	133.14	82.15	50.99	38.30
3.	06	2245	80	800	01	01	8,300.00	0.00	8,300.00	100.00
4.	06	3456	00	001	05	01	900.59	198.84	701.75	77.92
5.	06	3456	00	789	01	01	326.00	276.00	50.00	15.34
6.	08	3075	60	800	01	01	200.00	11.35	188.65	94.33
7.	09	2052	00	092	02	01	223.00	59.65	163.35	73.25
8.	09	3451	00	090	03	01	611.50	352.37	259.13	42.38
9.	09	3451	00	091	02	01	975.00	126.73	848.27	87.00
10.	10	2216	80	103	01	01	231.00	63.00	168.00	72.73
11.	10	2216	80	789	04	01	456.00	175.00	281.00	61.62
12.	10	2216	80	789	04	02	114.00	44.40	69.60	61.05
13.	10	2216	80	789	07	01	176.00	0.00	176.00	100.00
14.	10	2216	80	789	07	02	64.00	0.00	64.00	100.00
15.	10	2216	80	800	02	01	333.00	146.62	186.38	55.97
16.	10	2216	80	800	04	01	2,506.50	718.72	1,787.78	71.33
17.	10	2216	80	800	04	02	636.00	177.60	458.40	72.08
18.	10	2216	80	800	05	01	552.50	220.00	332.50	60.18
19.	10	2216	80	800	07	01	924.00	0.00	924.00	100.00
20.	10	2216	80	800	07	02	336.00	0.00	336.00	100.00
21.	10	2217	03	191	01	01	70.00	0.00	70.00	100.00
22.	10	2515	00	101	15	02	6,000.00	0.00	6,000.00	100.00
23.	10	3054	04	337	02	01	280.00	213.38	66.62	23.79
24.	10	3054	04	789	02	01	80.00	18.00	62.00	77.50
25.	12	2055	00	115	01	01	522.09	443.31	78.78	15.09
26.	12	2055	00	800	01	01	154.97	37.41	117.56	75.86
27.	12	2070	00	108	04	01	344.65	123.46	221.19	64.18
28.	16	2059	01	053	01	01	155.01	58.81	96.20	62.06
29.	16	2215	01	789	01	01	330.00	47.75	282.25	85.53
30.	16	2216	01	106	05	01	212.70	75.60	137.10	64.46

(1)	(2)	(3)					(4)	(5)	(6)	(7)
31.	16	2217	05	001	02	01	72.00	20.00	52.00	72.22
32.	16	2217	05	789	01	01	200.00	135.00	65.00	32.50
33.	16	4059	01	051	03	01	250.00	26.00	224.00	89.60
34.	16	4059	80	800	01	01	250.00	32.80	217.20	86.88
35.	16	4215	01	101	04	01	755.61	438.72	316.89	41.94
36.	16	4215	01	800	02	04	2,000.00	0.00	2,000.00	100.00
37.	16	4216	01	106	01	01	253.20	77.00	176.20	69.59
38.	16	4216	01	700	01	01	74.50	11.44	63.06	84.64
39.	16	4217	60	051	01	01	11,600.00	0.00	11,600.00	100.00
40.	16	4217	60	051	02	02	1,800.00	0.00	1,800.00	100.00
41.	16	4702	00	101	02	01	300.00	116.90	183.10	61.03
42.	16	4702	00	789	01	01	188.00	108.62	79.38	42.22
43.	16	4711	01	103	01	01	100.00	11.33	88.67	88.67
44.	16	4711	03	789	01	01	100.00	22.89	77.11	77.11
45.	16	4711	03	800	03	01	2,500.00	1,198.04	1,301.96	52.08
46.	16	4711	03	800	03	02	1,000.00	500.00	500.00	50.00
47.	16	5054	04	800	06	01	5,000.00	1,304.40	3,695.60	73.91
48.	16	5054	04	800	06	02	5,000.00	2,100.00	2,900.00	58.00
49.	16	5054	04	800	07	01	300.00	0.00	300.00	100.00
50.	16	5054	04	800	08	03	1,500.00	0.00	1,500.00	100.00
51.	17	2202	02	110	01	01	936.50	840.19	96.31	10.28
52.	17	2202	03	103	20	01	150.00	33.35	116.65	77.77
53.	17	2203	00	105	04	01	400.00	0.00	400.00	100.00
54.	17	2203	00	112	01	01	660.00	589.00	71.00	10.76
55.	17	2203	00	789	01	01	105.43	0.00	105.43	100.00
56.	18	2210	01	110	13	04	280.50	163.16	117.34	41.83
57.	18	2210	03	110	01	01	527.12	457.46	69.66	13.22
58.	18	2211	00	001	01	01	418.30	285.81	132.49	31.67
59.	19	3452	80	104	04	01	100.00	0.00	100.00	100.00
60.	19	3452	80	104	06	01	100.00	2.19	97.81	97.81
61.	19	5452	80	190	02	01	100.00	0.00	100.00	100.00
62.	21	2225	01	789	05	01	77.50	14.47	63.03	81.32
63.	21	2225	01	789	08	01	375.00	158.01	216.99	57.86
64.	21	2225	03	283	01	01	175.00	102.72	72.28	41.30
65.	21	2235	02	101	16	01	270.00	179.08	90.92	33.67
66.	21	2235	02	101	19	01	571.47	459.43	112.04	19.60
67.	21	2235	02	103	07	01	1,035.00	735.00	300.00	28.99

(1)	(2)	(3)					(4)	(5)	(6)	(7)
68.	22	2404	00	195	02	01	200.00	0.00	200.00	100.00
69.	24	2245	02	101	01	02	70.00	0.00	70.00	100.00
70.	24	2401	00	800	06	02	100.00	49.99	50.01	50.01
71.	24	2415	01	277	02	02	551.00	445.98	105.02	19.06
72.	24	2702	02	001	01	01	488.00	239.97	248.03	50.82
73.	25	2403	00	102	05	01	156.21	98.15	58.06	37.17
74.	28	2851	00	105	01	01	341.94	267.81	74.13	21.68
75.	29	2801	05	001	01	01	611.05	392.19	218.86	35.82
76.	29	2801	05	001	02	01	2,890.20	2,424.24	465.96	16.12
77.	29	4801	05	800	09	01	223.60	82.06	141.54	63.30
78.	29	4801	05	800	12	01	500.00	377.00	123.00	24.60
79.	30	5051	02	200	01	01	2,023.60	337.63	1,685.97	83.32
80.	30	5051	02	200	04	01	374.35	74.75	299.60	80.03
81.	30	5051	02	800	01	01	1,000.00	0.00	1,000.00	100.00
82.	31	7610	00	201	01	07	150.00	22.70	127.30	84.86
83.	31	7610	00	202	02	07	158.00	103.50	54.50	34.49
84.	32	2225	80	789	01	01	92.00	32.00	60.00	65.22
85.	32	3452	01	800	01	01	250.00	98.78	151.22	60.49
86.	32	4202	01	201	01	01	200.00	100.00	100.00	50.00
87.	32	4202	01	202	01	01	293.84	187.00	106.84	36.36
88.	32	4202	01	202	02	01	165.00	74.00	91.00	55.15
89.	32	4202	01	203	01	01	70.00	13.00	57.00	81.43
90.	32	4202	01	789	01	01	100.00	45.00	55.00	55.00
91.	32	4202	01	789	01	02	77.00	1.00	76.00	98.70
92.	32	4202	01	789	02	01	100.00	14.00	86.00	86.00
93.	32	4202	01	789	03	01	100.00	20.00	80.00	80.00
94.	32	4202	01	800	01	02	100.00	30.00	70.00	70.00
95.	32	4202	03	800	01	03	490.00	155.00	335.00	68.37
96.	32	4202	03	800	01	04	250.00	97.99	152.01	60.80
97.	32	4202	03	800	02	02	200.00	50.00	150.00	75.00
98.	32	4210	01	110	01	01	250.00	99.19	150.81	60.32
99.	32	4210	01	110	02	01	2096.40	1074.83	1021.57	48.73
100.	32	4220	60	101	01	01	99.00	0.00	99.00	100.00
101.	32	5452	01	800	01	04	371.48	0.00	371.48	100.00
102.	32	5452	01	800	02	01	200.00	123.00	77.00	38.50
Total							**81,115.45**	**20,923.92**	**60,191.53**	

Appendix – 2.3
(Reference: Paragraph 2.3.3; Page 33)

Cases where expenditure exceeded approved provision by Rs 50 lakh or more and also by more than 10 *per cent* of total provision

(Rupees in lakh)

Serial Number	Grant number	Head of Account					Total Provision (Original + Supplementary)	Expenditure	Excess
(1)	(2)	(3)					(4)	(5)	(6)
1.	06	2029	00	101	01	02	49.00	105.52	56.52
2.	06	2029	00	101	03	01	144.00	278.92	134.92
3.	06	2029	00	101	05	01	120.00	197.01	77.01
4.	06	2029	00	102	01	01	111.30	168.24	56.94
5.	06	2029	00	800	01	01	100.00	3,110.00	3,010.00
6.	06	2039	00	001	01	01	185.00	246.96	61.96
7.	06	2245	02	101	01	01	17.44	86.36	68.92
8.	06	2245	02	101	01	04	3.00	331.42	328.42
9.	09	2052	00	090	01	01	540.00	608.27	68.27
10.	10	2216	80	800	05	04	52.00	140.00	88.00
11.	10	2217	05	800	01	01	45.00	145.00	100.00
12.	10	2217	05	800	02	01	340.00	428.31	88.31
13.	10	2217	80	001	02	01	87.67	264.19	176.52
14.	10	2217	80	191	01	04	10.00	87.36	77.36
15.	10	3054	04	337	01	01	75.00	131.00	56.00
16.	10	3054	04	800	02	01	350.00	412.32	62.32
17.	12	2055	00	001	01	01	387.50	550.02	162.52
18.	12	2055	00	115	03	01	10.00	200.46	190.46
19.	16	2215	01	101	01	04	220.00	300.00	80.00
20.	16	2215	01	102	05	01	155.00	235.12	80.12
21.	16	2215	01	102	05	02	132.34	260.00	127.66
22.	16	2217	05	001	03	01	398.95	728.00	329.05
23.	16	3054	03	337	01	01	194.16	272.39	78.23
24.	16	3054	04	789	01	04	55.00	125.00	70.00
25.	16	4059	01	001	01	01	1,042.93	1,265.93	223.00
26.	16	4059	01	051	01	01	166.72	310.39	143.67
27.	16	4059	01	051	01	04	1.00	100.00	99.00
28.	16	4059	01	051	05	01	200.00	325.00	125.00
29.	16	4215	01	101	01	02	100.00	202.00	102.00

(1)	(2)	(3)					(4)	(5)	(6)
30.	16	4215	01	101	02	03	60.00	668.10	608.10
31.	16	4215	01	102	01	01	200.00	598.20	398.20
32.	16	4215	02	001	01	01	800.33	1,080.96	280.63
33.	16	4711	03	103	01	01	100.00	273.44	173.44
34.	16	4711	03	800	02	01	60.00	198.31	138.31
35.	16	4711	03	800	03	04	500.00	800.00	300.00
36.	16	5054	03	337	01	01	450.00	518.08	68.08
37.	16	5054	04	800	01	01	850.63	1,065.49	214.86
38.	17	2202	03	107	04	07	835.00	1,470.36	635.36
39.	17	2203	00	789	02	01	205.00	300.00	95.00
40.	19	3452	80	104	07	01	195.29	278.59	83.30
41.	21	2225	01	277	13	01	85.00	232.31	147.31
42.	21	2225	03	190	02	01	125.00	185.00	60.00
43.	21	2235	02	104	03	01	1,839.25	2,363.32	524.07
44.	21	2235	02	789	17	01	160.00	236.34	76.34
45.	24	2401	00	789	03	01	10.00	82.00	72.00
46.	24	2435	01	101	02	01	172.00	601.21	429.21
47.	25	2403	00	789	02	01	40.00	109.74	69.74
48.	28	2851	00	003	01	01	121.59	181.48	59.89
49.	29	2801	05	800	01	02	8,500.00	9,473.77	973.77
50.	29	2801	05	800	04	01	471.00	868.78	397.78
51.	29	4801	05	800	06	01	186.90	260.38	73.48
52.	29	4801	05	800	13	01	400.10	561.00	160.90
53.	32	2225	80	800	01	04	5.00	93.39	88.39
54.	32	4055	00	211	01	04	10.00	85.00	75.00
55.	32	4055	00	211	01	01	164.00	442.45	278.45
56.	32	4202	01	202	02	03	30.00	140.00	110.00
57.	32	4225	01	277	01	01	0.01	81.90	81.89
58.	32	4250	00	201	01	01	52.00	102.50	50.50
Total							**21,921.11**	**34,967.29**	**13,046.18**

Appendix – 2.4
(Reference: Paragraph 2.3.4; Page 33)

Unnecessary re-appropriation of funds

(Rupees in lakh)

Serial number	Grant number	Head of Account	O	S	Amount re-appro-priated	Total	Actual Expendi-ture	Excess(+) / Savings(-)
1	17	2202.02.789(02)(01)	47.52	12.76	0.07	60.35	57.70	-2.65
2	18	2210.06.101(18)(01)	6.30	0.00	2.77	9.07	2.90	-6.17
3	24	2401.00.109(05)(01)	10.00	0.00	6.00	16.00	0.00	-16.00
4	25	2403.00.102(03)(01)	131.56	0.00	3.68	135.24	131.11	-4.13
5	25	2403.00.800(02)(02)	15.00	0.00	1.80	16.80	13.74	-3.06
		Total	**210.38**	**12.76**	**14.32**	**237.46**	**205.45**	**-32.01**

O: Original **S: Supplementary**

Appendix – 2.5
(Reference: Paragraph 2.3.5; Page 33)

Savings of more than Rs 10 lakh not surrendered

(Rupees in lakh)

Serial Number	Grant Number	Description	Actual Savings	Amount Surrendered	Amount not Surrendered
		Revenue - Voted			
1	16	Public Works	42.12	Nil	42.12
2	17	Education	216.00	Nil	216.00
3	18	Medical	83.53	Nil	83.53
4	21	Social Welfare	133.62	Nil	133.62
5	25	Animal Husbandry	60.00	Nil	60.00
		Capital - Voted			
6	16	Public Works	24,324.42	24,145.13	179.29
7	32	Building Programmes	1481.17	1,206.13	275.04
		Total	**26,340.86**	**25,351.26**	**989.60**

Appendix – 3.1
(Reference: Paragraph 3.1.7.3; Page 45)

Infrastructure created in Yanam Region during 2002-07

Locality	Water Treatment Plant (in mld)	Over head Tank (in lakh litres)	Sump (in lakh litres)	Month of sanction	Reasons for construction	Amount sanctioned (Rupees in lakh)	Expenditure as of July 2007 (Rupees in lakh)
Dariyalathipa	3			December 2003	Based on the water requirement for the projected population of 2018 -	181.00	199.00
Kanakalapeta	2			December 2003		131.00	131.00
Yanam Town	4			February 2004		254.00	278.70
Kurusempetta		2.00		February 2003	Inadequacy of water in tail end	32.21	35.32
Francethipa		2.00	1.00	February 2003		52.70	57.58
Kurusempeta			1.00	March 2003		44.73	46.54
Gurempetta		2.00	1.00	May 2003		53.42	58.75
Yanam Town			3.00	November 2003	To meet the increased water requirement of the Yanam Town	14.00	15.99
Yanam Town		6.00		December 2003		42.43	52.17
Under Progress							
Gopal Nagar		2.00	1.00	June 2005	Inadequacy of water in tail end	60.22	56.32
Dariyalathipa		4.00	2.00	August 2006		186.00	53.46
Ambedkar Nagar		2.00	1.00	October 2006		98.42	59.71
Kanakalapeta		2.00	1.00	October 2006		96.00	28.41
Total	**9**	**22.00**	**11.00**			**1,246.13**	**1,072.95**

Appendix – 3.2
(Reference: Paragraph 3.2.1; Page 52)

Details of expenditure incurred on various schemes

(Rupees in lakh)

Serial number	Name of the scheme	Objective of the scheme	Expenditure 2001-07		
			UT Funds		GOI Funds
			Plan	Non-Plan	
(1)	(2)	(3)	(4)	(5)	(6)
1.	Post matric scholarship for SC/ST students	To provide financial assistance to SC/ST students studying at post-matriculation level to enable them to complete their education without economic constraints	560.74	346.49	389.71
2.	Book bank scheme for SCs	To purchase and distribute text books to the institutions like medicine, engineering etc., for use by the SC students studying in the Institutions	--	--	1.38
3.	Pre-matric scholarship for the children of those engaged in unclean occupations	To provide financial assistance to parents traditionally engaged in unclean occupations like scavengers, flayers and tanners to enable their children to pursue education up to matriculation level	53.42	--	33.52
4.	Hostels for SC/ST community students (construction)	In order to enable the SC/ ST students studying in middle schools, higher secondary schools, colleges, universities to pursue their studies in the educational centre, the cost of construction of hostels met by Central Government	42.75	--	392.52
5.	Coaching and allied activities	To provide pre-examination coaching to the students belong to SCs/STs/OBCs	1.96	--	--
6.	Upgradation of merit of SC/ST students	To upgrade the merit of SC/ST students by providing them remedial and special coaching in primary and secondary level classes	7.72	--	--
7.	Opening and maintenance of hostels	To provide boarding and lodging facilities to the SC students in pursuance of their education and to dissuade dropping of education at school and college level, hostel facilities are provided	533.90	1,611.42	--
8.	Pre-matric scholarship	Elementary and secondary level of education continuously without hardship	160.09	571.04	--
9.	Opportunity cost for girl children	To financially assist the SC parents for sending their daughters to schools who otherwise earn livelihood for the family engaging themselves in menial labour	859.19	--	--

(1)	(2)	(3)	(4)	(5)	(6)
10.	Reimbursement of tuition fees to students undergoing professional courses	Reimbursement of tuition and other fees to deserving degree/post graduate and other professional courses to SC students to pursue their further studies	29.14	--	--
11.	Retention scholarship to girl children	Award of retention scholarship to encourage SC girl students to undertake primary education and continue studies without drop out	--	175.63	--
12.	Ad-hoc merit grant to SC student studying in High School and Higher Secondary School	Award of ad-hoc merit grant to SC students who secured 65 *per cent* or more in matriculation/ SSLC Board of examinations	--	5.19	--
13.	Grant of uniforms to inmates of hostels	To supply two sets of dress materials to the inmates of hostels	--	103.24	--
14.	Dr. Ambedkar Memorial Scheme	Award is granted to top ranking one SC boy and one SC girl student of each region	--	3.04	--
15.	Stipend to trainees in TTI	To give financial support to SC candidates/trainees who are undergoing training in Technical Training Institute	--	10.69	--
	Total Expenditure		2,248.91	2,826.74	817.13
			5,075.65		817.13
			50.76 crore		**8.17 crore**
			58.93 crore		

Appendix – 4.1
(Reference: Paragraph 4.3.1; Page 81)

Department-wise pendency of Action Taken Notes

Serial number	Department	Number of recommendations pending	Year of Audit Report
(1)	(2)	(3)	(4)
1.	Adi-dravidar Welfare	11	1977-78, 1992-93, 1994-95 and 1999-2000
2.	Agriculture	25	1995-96 to 1999-2000
3.	Animal Husbandry	22	1992-93 and 1998-99
4.	Civil Supplies	11	1998-99
5.	Commercial Taxes	4	1995-96, 1997-98, 1999-2000 and 2001-02
6.	Community Development	3	1992-93, 1996-97 and 1997-98
7.	Co-operation	7	1994-95, 1998-99, 1999-2000 and 2000-01
8.	Directorate of Accounts and Treasuries (Finance Department)	1	2000-01
9.	Education	28	1992-93, 1994-95 and 1996-97 to 2001-02
10.	Election	1	1998-99
11.	Electricity	18	1996-97 to 2000-01
12.	Excise	3	1996-97, 1998-99 and 1999-2000
13.	Finance	15	1993-94 to 2001-02
14.	Finance (Housing)	4	1994-95 and 1995-96
15.	Fisheries	8	1996-97 to 1998-99
16.	Health	49	1990-91, 1992-93, 1995-96, 1996-97, 1998-99, 1999-2000 and 2000-01
17.	Industries	42	1988-89, 1990-91, 1992-93, 1993-94, 1997-98, 1998-99, 1999-2000 and 2000-01
18.	Information and Publicity	1	1992-93
19.	Jail	1	1998-99
20.	Labour	2	1993-94 and 1996-97
21.	Local Administration	27	1995-96, 1997-98, 1998-99, 1999-2000 and 2001-02

(1)	(2)	(3)	(4)
22.	Planning and Research	2	1995-96 and 2001-02
23.	Police	8	1997-98
24.	Port	2	1989-90 and 1995-96
25.	Public Works	73	1988-89, 1990-91 to 2000-01
26.	Revenue	10	1996-97 to 1998-99
27.	Rural Development	20	1993-94, 1998-99 and 1999-2000
28.	Science, Technology and Environment	10	1999-2000 and 2000-01
29.	Social Welfare	5	1996-97, 1997-98, 1999-2000 and 2000-01
30.	Stationery and Printing	2	1996-97 and 1997-98
31.	Tourism	2	1994-95
32.	Town and Country Planning	14	1994-95, 1996-97, 1997-98 1999-2000 and 2001-02
33.	Transport	10	1994-95, 1997-98 and 1999-2000
34.	Welfare	1	1997-98
35.	Women and Child Development	2	1996-97 and 1998-99
36.	General	8	2000-01 and 2001-02
Total		**452**	

Appen

(Reference : Paragraphs 7.3 and

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out

Serial number	Sector and Name of the company	Paid-up capital as at the end of the current year (Figures in brackets indicate share application money)				
		Union Territory Government	Central Government	Holding Companies	Others	Total
(1)	(2)	(3a)	(3b)	(3c)	(3d)	(3e)
	Agriculture					
1.	Puducherry Agro Service and Industries Corporation Limited	1,083.28	--	--	--	1,083.28
2.	Pondicherry Agro Products, Food and Civil Supplies Corporation Limited	894.81	--	--	5.00	899.81
	Sector-wise total	**1,978.09**	--	--	**5.00**	**1,983.09**
	Industry					
3.	Pondicherry Distilleries Limited	845.00	--	--	--	845.00
4.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	3,186.21 (5,870.00)	--	--	854.00	4,040.21 (5,870.00)
	Sector-wise total	**4,031.21 (5,870.00)**	--	--	**854.00**	**4,885.21 (5,870.00)**
	Electronics					
5.	Pondicherry Electronics Limited (Subsidiary of PIPDIC)	--	--	9.65	--	9.65
	Sector-wise total	--	--	**9.65**	--	**9.65**
	Textiles					
6.	Pondicherry Textiles Corporation Limited	24,700.64	--	--	--	24,700.64
7.	Swadeshee-Bharathee Textiles Mills Limited	894.50	--	--	--	894.50
	Sector-wise total	**25,595.14**	--	--	--	**25,595.14**
	Economically Weaker Section					
8.	Pondicherry Adi-dravidar Development Corporation Limited	323.24	167.77	--	--	491.01
9.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited	324.12	--	--	--	324.12
10.	Puducherry Backward Classes & Minorities Development Corporation Limited	232.65	--	--	--	232.65
	Sector-wise total	**880.01**	**167.77**	--	--	**1,047.78**
	Tourism					
11.	Pondicherry Tourism Development Corporation Limited	500.00	--	--	--	500.00
	Sector-wise total	**500.00**	--	--	--	**500.00**
	Transport					
12.	Pondicherry Road Transport Corporation Limited	3,209.89	--	--	--	3,209.89
	Sector-wise total	**3,209.89**	--	--	--	**3,209.89**
	Power					
13.	Puducherry Power Corporation Limited	13,304.42	--	--	--	13,304.42
	Sector-wise total	**13,304.42**	--	--	--	**13,304.42**
	Grand Total	**49,498.76# (5,870.00)**	**167.77**	**9.65**	**859.00**	**50,535.18 (5,870.00)**

Note: Except in respect of two companies which finalised their accounts for 2006-07 (serial numbers 3 and 10) figures are provisional and as given by the companies.

UT Government's investment in PSUs was Rs 554.63 crore (Others: Rs 49.82 crore). Figure as per Finance Accounts 2006-07 is Rs 569.05 crore. The difference is under reconciliation.

dix – 7.1

7.4; Pages 104 and 105)

of budget and loans outstanding as on 31 March 2007 in respect of Government Companies

(Figures in column 3(a) to 4(f) are rupees in lakh)

Equity/loans received out of the budget during the year		Other loans received during the year	Loans outstanding at the close of 2006-07**			Debt equity ratio for 2006-07 (Previous year) (4f / 3e)
Equity	Loans		UT Govt.	Others	Total	
(4a)	(4b)	(4c)	(4d)	(4e)	(4f)	(5)
150.00	--	--	--	--	--	--
85.00	--	--	93.50	--	93.50	0.10:1
235.00	--	--	**93.50**	--	**93.50**	**0.04:1**
--	--	--	--	--	--	--
--	--	--	--	--	--	--
(5,660.00)						
--	--	--	--	--	--	--
(5,660.00)						
--	--	--	--	--	--	--
--	--	--	--	--	--	--
1,700.00	--	--	--	--	--	--
594.50	--	--	--	3,554.98	3,554.98	3.97:1
2,294.50	--	--	--	**3,554.98**	**3,554.98**	**0.14:1**
103.00	--	3.65	--	50.35	50.35	0.1:1(0.93:1)
--	--	--	--	--	--	--
31.00	--	60.02	--	341.37	341.37	1.47:1(1.59:1)
134.00	--	**63.67**	--	**391.72**	**391.72**	**0.37:1(0.75:1)**
200.00	--	--	--	--	--	--
200.00	--	--	--	--	--	--
217.00	--	--	--	--	--	--
217.00	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
3,080.50 (5,660.00)	--	**63.67**	**93.50#**	**3,946.70**	**4,040.20**	**0.07:1 (0.01:1)**

** Loans outstanding at the close of 2006-07 represent long-term loans only.

Appen

(Reference: Paragraphs 7.5, 7.6,

Summarised financial results of Government Companies

Serial number	Sector and name of the company	Name of Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Working companies					
	AGRICULTURE					
1.	Puducherry Agro Service and Industries Corporation Limited	Agriculture	26 March 1986	2005-06	2006-07	18.60
2.	Pondicherry Agro Products, Food and Civil Supplies Corporation Limited	Civil Supplies and Consumer Affairs	27 September 1990	2003-04	2006-07	40.39
	Sector-wise total					**58.99**
	INDUSTRY					
3.	Pondicherry Distilleries Limited	Industries	8 December 1971	2006-07	2007-08	405.52
4.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	Industries	17 April 1974	2005-06	2006-07	472.82
	Sector-wise total					**878.34**
	ELECTRONICS					
5.	Pondicherry Electronics Limited (Subsidiary of PIPDIC)	Industries	7 December 1982	2005-06	2006—07	(-) 2.88
	Sector-wise total					**(-) 2.88**
	TEXTILES					
6.	Pondicherry Textiles Corporation Limited	Industries	25 November 1985	2005-06	2006-07	(-) 2,618.41
7.	Swadeshee-Bharathee Textile Mills Limited	Industries	4 July 2005	2005-06	2006-07	(-) 563.23
	Sector-wise total					**(-) 3,181.64**
	ECONOMICALLY WEAKER SECTION					
8.	Pondicherry Adi-dravidar Development Corporation Limited	Welfare	26 September 1986	2004-05	2006-07	(-) 98.26
9.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited	Welfare	31 March 1993	2003-04	2006-07	..
10.	Puducherry Backward Classes and Minorities Development Corporation Limited	Welfare	31 March 1999	2006-07	2007-08	..
	Sector-wise total					**(-) 98.26**
	TOURISM					
11.	Pondicherry Tourism Development Corporation Limited	Tourism	1 April 2005	First account not finalised		..
	Sector-wise total					**..**
	TRANSPORT					
12.	Pondicherry Road Transport Corporation Limited	Tourism	19 February 1986	2003-04	2006-07	(-) 65.01
	Sector-wise total					**(-) 65.01**
	POWER					
13.	Puducherry Power Corporation Limited	Electricity	30 March 1993	2005-06	2006-07	890.50
	Sector-wise total					**890.50**
	Grand Total					**(-) 1,519.96**

* **Capital employed represents net fixed assets (including capital work-in-progress) PLUS working capital except in case of finance companies, where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).**

dix – 7.2
and 7.9; Pages 105, 106 and 108)
for the latest year for which accounts were finalised

(Figures in columns 7 to 12 and 15 are rupees in lakh)

Net impact of Audit comments	Paid-up capital	Accumulated Profit/ Loss(-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turn-over	Man-power
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
..	1,003.28	272.14	1,405.78	18.60	1.32	1	4,901.28	393
..	649.81	(-) 723.08	129.89	73.74	56.77	3	8,935.00	295
..	**1,653.09**	**(-) 450.94**	**1,535.67**	**92.34**	**6.01**	**..**	**..**	**..**
..	845.00	1,624.66	2,467.86	405.52	16.43	..	2,350.67	113
..	5,340.21	2,750.33	10,056.05	473.06	4.70	1	873.96	144
..	**6,185.21**	**4,374.99**	**12,523.91**	**878.58**	**7.02**	**..**	**..**	**..**
..	9.65	22.51	32.41	(-) 2.88	..	1	..	10
..	**9.65**	**22.51**	**32.41**	**(-) 2.88**	**..**	**..**	**..**	**..**
Loss increased by Rs 2.90 crore	23,000.64	(-) 24,873.00	14,148.99	(-) 2,284.02	..	1	7,000.00	3,012
..	300.00	(-) 563.23	3,285.90	(-) 563.23	..	1	1,627.30	702
..	**23,300.64**	**(-) 25,436.23**	**17,434.89**	**(-) 2,847.25**	**..**	**..**	**..**	**..**
..	311.38	(-) 384.85	289.16	(-) 79.82	..	2	..	61
..	^275.08	**	455.08	..	..	3	798.45	..
..	232.65	**	943.18	..	..	..	..	13
..	**819.11**	**(-) 384.85**	**1,687.42**	**(-) 79.82**	**..**	**..**	**..**	**..**
..	..	..	..	..	..	2	462.00	265
..	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**..**
..	2,310.73	1,996.16	585.73	(-) 65.01	..	3	1,990.62	463
..	**2,310.73**	**1,996.16**	**585.73**	**(-) 65.01**	**..**	**..**	**..**	**..**
..	13,304.42	5,404.75	19,283.28	890.50	4.62	1	5,392.00	128
..	**13,304.42**	**5,404.75**	**19,283.28**	**890.50**	**4.62**	**..**	**..**	**..**
..	**47,582.85**	**(-) 14,473.61**	**53,083.31**	**(-) 1,133.54**	**..**	**..**	**..**	**..**

** **Entire loss is reimbursed by the Government. ^ includes a share advance of Rs 37.68 lakh;**
The particulars given in the Cols. 15 and 16 are furnished by the Company for the year 2006-07 and are provisional except Sl. No. 3.

Appendix – 7.3
(Reference : Paragraph 7.4; Page 105)

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2007

(Rupees in lakh)

Name of the working company		Pondicherry Agro Products, Food and Civil Supplies Corporation Limited	Pondicherry Adi-dravidar Development Corporation Limited	Pondicherry Corporation for Development of Women and Handicapped Persons Limited	Puducherry Backward Classes and Minorities Development Corporation Limited	Pondicherry Industrial Promotion Development and Investment Corporation Limited	Total
		(1)	(2)	(3)	(4)	(5)	(6)
Subsidy/Grants received during the year							
Union Territory	Grants	194.62	99.00	784.00	215.52	510.89	1,804.03
	Subsidy	3.86	490.00	---	---	---	493.86
Central Government	Grants	15.06	---	123.97	---	1,127.51	1,266.54
	Subsidy	---	21.80	---	---	---	21.80
Others		---	---	---	---	---	---
Total	Grants	**209.68**	**99.00**	**907.97**	**215.52**	**1,638.40**	**3,070.57**
	Subsidy	**3.86**	**511.80**	---	---	---	**515.66**
Guarantees received during the year and outstanding at the end of the year							
Cash credit from banks		---	---	---	---	---	---
Loans from other sources		---	(2.80)	---	---	---	(2.80)
Letter of credit opened by bank in respect of imports		---	---	---	---	---	---
Payment obligation under agreement with foreign consultants		---	---	---	---	---	---
Total		---	**(2.80)**	---	---	---	**(2.80)**
Waiver of dues during the year							
Loans repayment written off		---	---	---	---	---	---
Interest waived		---	---	---	---	---	---
Penal interest waived		---	---	---	---	---	---
Total		---	---	---	---	---	---
Loans on which moratorium allowed		---	---	---	---	---	---
Loans converted into equity during the year		---	---	---	---	---	---

Figures in brackets indicate guarantees outstanding at the end of the year

Note: Except in respect of a company which finalised its accounts for 2006-07 (column 4), figures are provisional and as given by the companies

Appendix – 7.4
(Reference : Paragraph 7.11; Page 109)

Statement showing the department-wise outstanding Inspection Reports (IRs)

Serial number	Name of Department	Number of PSUs	Number of outstanding IRs	Number of outstanding paragraphs	Year from which paragraphs outstanding
1.	Agriculture	1	4	19	2002-03
2.	Industries	4	10	40	2001-02
3	Welfare	3	10	39	2000-01
4.	Transport	1	2	17	2001-04
5	Tourism	1	1	4	2005-06
6.	Electricity	1	1	14	2005-06
	TOTAL	11	28	133	

Appendix – 7.5
(Reference : Paragraph 7.12.6; Page 113)

Financial position of Pondicherry Industrial Promotion Development and Investment Corporation Limited for the five years ending 31 March 2007

(Rupees in lakh)

		2002-03	2003-04	2004-05	2005-06	2006-07*
	LIABILITIES					
(a)	Paid-up capital (including advance for shares)	4,468.21	4,118.21	4,240.21	5,340.21	10,910.21
(b)	Reserves and surplus	3,534.14	4,882.53	5,059.20	5,468.16	5,837.97
(c)	Borrowings:					
	Short term and long term	8.96	6.22	3.51	0.80	NIL
(d)	Trade dues and other liabilities (including provisions)	1,356.72	1,455.54	1,313.72	1,078.98	1,162.10
	TOTAL	9,368.03	10,462.50	10,616.64	11,888.15	17,910.28
	ASSETS					
(a)	Gross block	1,016.21	1,005.41	1,260.40	833.17	837.20
(b)	Less: Depreciation	331.78	355.02	385.82	327.29	352.83
(c)	Net fixed assets	684.43	650.39	874.58	505.88	484.37
(d)	Capital works-in-progress	782.79	874.43	947.54	949.38	1,038.76
(e)	Investment	26.79	26.79	23.39	28.39	23.39
(f)	Current assets	7,874.02	8,910.89	8,771.13	10,404.50	16,363.76
	TOTAL	9,368.03	10,462.50	10,616.64	11,888.15	17,910.28
	Capital employed	7,388.84	8,509.14	9,154.94	10,056.05	13,778.68
	Net worth	8,002.35	9,000.74	9,299.41	10,808.37	16,748.18

Note:

1. **Capital employed represents the mean of aggregate of opening and closing balance of paid-up capital, reserves and borrowings.**
2. **Net worth represents paid-up capital plus reserves less intangible assets.**

* **Provisional**

Appendix – 7.6
(Reference : Paragraph 7.12.6; Page 113)

Working results of Pondicherry Industrial Promotion Development and Investment Corporation Limited for the five years ending 31 March 2007

(Rupees in lakh)

		2002-03	2003-04	2004-05	2005-06	2006-07*
	INCOME					
(a)	Interest on term loans	653.81	695.83	634.55	521.81	474.00
(b)	Interest on deposits with banks and co-operative society	206.35	225.50	220.19	220.48	260.86
(c)	Rent including hire purchase and lease	60.49	67.41	56.65	112.76	308.60
(d)	Other income	75.80	86.09	73.96	442.41**	60.80
	TOTAL	**996.45**	**1,074.83**	**985.35**	**1,297.46**	**1,104.26**
	EXPENDITURE					
(a)	Interest	2.59	0.73	0.69	0.24	0.12
(b)	Administrative and other expenses	306.69	363.45	594.23	514.78	427.62
(c)	Maintenance charges for industrial estates	14.94	21.21	53.38	19.63	29.35
(d)	Depreciation	42.69	40.58	37.38	28.14	25.55
(e)	Provision for doubtful debts including investments and bad debts written off	19.39	16.44	32.82	57.08	43.05
	TOTAL	**386.30**	**442.41**	**718.50**	**619.87**	**525.69**
	Profit (+)/Loss(-)	610.15	632.42	266.85	677.59	578.57
	Tax provision/payments	182.82	179.63	101.07	255.18	181.00
	Profit after tax	427.33	452.79	165.78	422.41	397.57

* **Provisional**

** **The abnormal increase in the other income during 2005-06 was mainly due to accounting of the premium lease income of Rs 5.62 crore relating to the earlier years on account of change in the accounting policy during the year**

Appendix – 7.7
(Reference : Paragraph 7.12.7; Page 113)

Sources and uses of funds

		2002-03			2003-04			2004-05			2005-06			2006-07[♣]		
		Budget	Actuals	Deviation	Budget	Actuals	Deviation	Budget	Actuals	Deviation	Budget	Actuals	Deviation	Budget	Actuals	Deviation
		(Rupees in lakh)		*(per cent)*	(Rupees in lakh)		*(per cent)*	(Rupees in lakh)		*(per cent)*	(Rupees in lakh)		*(per cent)*	(Rupees in lakh)		*(per cent)*
	SOURCE															
(a)	Opening cash balance	2,593	2,593	---	2,994	2,995	---	3,806	3,806	---	3,806	3,692	---	3,700	3,838	---
(b)	Increase in share capital	377	250	33.69	250	100	60	300	22	92.67	300	1,100	---	---	---	---
(c)	Grants from GOI/GOP	---	285	---	15	250	---	400	111	72.25	400	---	100	5,850	5,570	4.79
(d)	Recovery of															
	(i) Principal	1,100	1,145	---	1,150	1,418	---	1,200	1,150	4.17	1,200	1,201	---	1,300	1,734	---
	(ii) Interest	700	654	6.57	750	696	7.2	700	635	9.29	700	521	25.57	700	474	32.29
(e)	Receipts from area development	80	92	---	87	108	---	123	73	40.65	123	151	---	183	270	---
(f)	Interest on deposit with banks and dividend	170	206	---	205	225	---	220	195	11.36	220	193	12.27	250	58	76.80
(g)	Other cash inflow	65	32	50.77	54	79	---	103	108	---	103	147	---	145	200	---
	TOTAL	**5,085**	**5,257**		**5,505**	**5,871**		**6,852**	**6,100**		**6,852**	**7,005**		**12,128**	**12,144**	
	USES															
(a)	Term loans	1,200	1,385	---	1,200	1,260	---	1,350	1,177	12.81	1,350	1,311	2.89	900	683	24.11
(b)	Area development	1,720	334	80.58	1,571	85	94.59	2,149	360	83.25	2,149	41	98.09	515	90	82.52
(c)	Administrative expenses	323	312	---	429	332	---	350	571	63.14	350	497	42	585	410	---
(d)	Repayments of loans and interest	27	26	---	12	4	---	3	3	---	3	3	---	2	1	--
(e)	SEZ	---	---	---	---	---	---	500	14	97.20	500	1,034	---	5,750	5,763	---
(f)	Others	398	205	---	245	384	56.73	277	283	---	277	281	---	183	450	145.90
(g)	Investment in shares	100	---	100	50	---	100	---	---	---	---	---	---	---	---	---
(h)	VCF/HF loans	375	---	100	100	---	100	---	---	---	---	---	---	---	200	---
(i)	Leasing/hire purchase	50	---	100	50	---	100	---	---	---	---	---	---	---	---	---
(j)	Closing cash balance	892	2,995	---	1,848	3,806	---	2,223	3,692	--	2,223	3,838	---	4,193	4,547	---
	TOTAL	**5,085**	**5,257**		**5,505**	**5,871**		**6,852**	**6,100**		**6,852**	**7,005**		**12,128**	**12,144**	

Note : **Only those deviations which reflect the negative performance of the Company are shown**
Sources and Uses are worked out on actual receipt and payment basis

♣ Provisional

Appendix – 7.8
(Reference : Paragraph 7.12.15; Page 120)

Cases of sanction defects as on 31 March 2007

(Rupees in lakh)

Serial number	Name of the unit	Year of sanction	Amount disbursed	Overdues			Reasons for non-recovery
				Principal	Interest	Total	
1.	Sri Ram Tower Tech	February 1998	75.11	75.11	168.31	243.42	Failure to appraise the project independently
2.	Jayaprakash Co-operative Spinning Mills	March 2005	200.00	144.00	30.00	174.00	Sanction of loan when the unit was incurring losses
3.	Subha Organics	March 2001	36.00	26.88	16.71	43.59	Improper project appraisal especially with reference to tie up arrangements for raw material and marketing
4.	Muthuramalingam Modern Rice Mill	September 1995	29.04	26.97	21.22	48.19	Failure to ensure adequacy of working capital and availability of raw material
5.	Murugan Modern Rice Mill	January 2000	13.10	8.10	6.55	14.65	Failure to ensure arrangement of adequate working capital and raw material
6.	RPM Retreads	February 1999	16.50	14.47	9.42	23.89	Poor appraisal of the commercial viability of the project by the Company
TOTAL			369.75	295.53	252.21	547.74	

Appendix – 7.9
(Reference : Paragraph 7.12.17; Page 121)

Cases of follow-up failure as on 31 March 2007

(Rupees in lakh)

Serial number	Name of the unit	Year of sanction	Amount disbursed	Overdues			Reasons for non-recovery
				Principal	Interest	Total	
1.	Babu Modern Rice Mill	December 1994	15.50	15.50	17.26	32.76	Ineffective follow-up
		October 1998	20.73	20.73	45.64	66.37	
2.	Rebarzaar Medi Plastic	September 1997	94.93	94.93	316.76	411.69	Failure to seize the assets in spite of repeated dishonour of cheques
3.	Regma Ceramics	April 2002	200.00	140.00	NIL	140.00	Poor monitoring and follow up and failure to liquidate the security at the right time
4.	Sree Krishna Modern Rice Mill	July 2000	21.88	21.63	15.77	37.40	Failure to take action under Sec.29 of SFC Act
5.	Mercy Tex Knit Private Limited	June 1993	41.70	26.84	81.77	108.61	Inordinate delay in taking possession of assets. Assets taken over only after seven years since the first default
6.	Priya Ceramics	August 1995	79.17	11.63	84.20	95.83	Improper monitoring and follow up resulting in non-commencement of project till the assets were taken over
7.	Sun Moon Granites	March 1992	26.58	9.06	35.70	44.76	Abnormal delay in takeover of assets under SFC Act
8.	Amrutha Foods	July 2003	97.85	18.60	27.47	46.07	Delay in takeover of the assets under SFC Act and poor follow up
9.	Hotel Karthik	March 2003	15.00	9.50	4.73	14.23	Ineffective follow up resulting in NIL recovery towards principal
		September 2003	20.00	8.00	9.08	17.08	
10.	Techled Electronic Company	March 1996	9.06	9.06	12.64	21.70	No action was initiated under SFC Act, 1951
11.	Pick Pack Packages	April 1995	14.00	10.70	9.37	20.07	Ineffective follow up
12.	Ganapathy Polished Mosaic Tiles	February 2000	13.92	11.79	3.49	15.28	Ineffective monitoring and follow up inspite of having a Branch office at Karaikal
13.	Vengadachalapathy Modern Rice Mill	June 1996	25.00	2.00	3.01	5.01	Failure to recover the dues inspite of provision of funds by the unit in its accounts and poor follow up
		June 1999	6.66	0.66	1.10	1.76	
TOTAL			**701.98**	**410.63**	**667.99**	**1,078.62**	